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in this issue . . .

- **Psychic Sales Pitch.** Tea is no drink for a he-man, people feel sorry for little girls with straight hair, and—like children—grownups want to be rewarded with candy when they've been good . . . but they have to be encouraged to help themselves to it. Frivolous as they may seem, such motivation research findings about consumers' underlying attitudes have enabled many companies to chalk up unparalleled sales volume and invade totally new markets. Though MR itself is not new, there's lots of news about it in this month's special feature, *What Makes People Buy? A Progress Report on Motivation Research Today*.
- **Partners in the Space Age.** Government has always contracted out, but since the advent of the Space Age, government's dependence on business has increased tremendously. Companies that are now working under government contracts—and still larger numbers that eventually will—should be interested in JOHN CORSON's ideas (page 9) about the rather serious weaknesses that now exist in the government-business partnership and what can be done to correct them.
- **Aesop Revisited.** The next best thing to a picture, a brief anecdote is often worth a thousand words and can carry a wealth of serious meaning. Proof: PILSON KELLY's *Parables on Problem-Solving* (page 14).
- **The Problem Drinker on the Job.** Aware of the growing seriousness of the alcoholism problem in industry, management is doing something about it on a broader scale than ever before. For details of the most comprehensive company-sponsored program in operation today, see *Management and the Problem Drinker* (page 22), by DR. FRANCES COLONNA of Bellevue's Consultation Clinic for Alcoholism.

—THE EDITORS

SEPTEMBER 1959

Volume XLVIII, No. 9

THE MANAGEMENT REVIEW

FEATURES

- 4 What Makes People Buy? A Progress Report on
Motivation Research Today
by George Christopoulos
- 9 Government and Business: Partners in the Space Age
by John J. Corson
- 14 Some Parables on Problem-Solving
by Pilson W. Kelly
- 22 Management and the Problem Drinker
by Frances I. Colonna, M.D.

BUSINESS DIGESTS OF THE MONTH

Trends and perspectives

- 30 Management and Labor: A New Era of Bad Feeling?
(*The New York Times Magazine*)
- 34 Our Growing Executive Population
(*The Wall Street Journal*)
- 46 The Union Press—Window in Labor's House
(*Industrial Relations News*)
- 54 A Sharp Look at Business Meetings (*Think*)

Management policy and practice

- 41 "The Voice with a Smile" (*News Front*)
- 44 Breaking the Bombast Barrier (*Supervisory Management*)
- 49 Corporate Dividends: A Big Payout in 1959
(*Business Week*)
- 52 Human Relations: How Far Have We Come?
(*Management Record*)

Operating guides for executives

- 37 A Blueprint for Corporate Giving
(*Dun's Review and Modern Industry*)
- 56 Some Tips on Plant Maintenance
(*Iron Age*)

DEPARTMENTS

Also Recommended—page 58

Brief summaries of other timely articles

Book Notes—page 84

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WHAT MAKES PEOPLE BUY?

A Progress Report on Motivation Research Today

■ *George Christopoulos*
Biddle Purchasing Company

WHY DO PEOPLE EAT CANDY? Because they like the taste? Because they want the quick energy it supplies? Not on your life, said the motivation researchers who conducted a study for M. & M. candy. They concluded that most of us consider candy a special reward or compensation for doing a difficult job. When we were young, we received a piece of candy for reciting a stanza from "Hiawatha," for not scuffing our knees, or for doing something we considered unpleasant—and, as we matured, our candy habits followed the same pattern. So the candy manufacturer sponsoring the study—and others after him—switched their advertising tack to appeals along these lines: "Make that tough job easier; you *deserve* candy." Reassured, people increased their nibbling—and candy sales sweetened up considerably.

Candy manufacturers aren't the only ones on the MR bandwagon—not by a long shot. Take the Toni Company, for example. Its advertising for a home permanent kit for children never came out and said, in so many words, "Your little girl will be an unhappy outcast if she has straight, stringy hair"—but that's the message that came through. Why? Because motivation researchers, studying

Mr. Christopoulos is Associate Editor of *The Biddle Survey*, published by the Biddle Purchasing Company.

the reaction of people looking at pictures of girls with straight hair next to girls with curly hair, concluded that people feel sorry for straight-haired waifs. If you don't want your little girl to be pitied, the ads suggested, give her wavy tresses. Sales figures indicate that people were ready and willing to wave on their daughters to curly-headed glamor.

Thanks to some word-association probing on the part of a prominent MR firm, one brewer dropped the word "lagered" from his ad copy because some people thought it meant "tired," "lazy," or "dizzy." (Even such perfectly good words as "complaint," "voluntary," and "cooperate" aren't as neutral in connotation as an advertiser might think; according to an MR man, they produce a "deep emotional disturbance with a sizable group.") And Procter & Gamble eliminated the word "concentrated" from its soap advertising when a study indicated that a substantial percentage of housewives didn't understand it—and some thought it meant "blessed by the Pope"!

WHO USES MOTIVATION RESEARCH?

Stories like these are cropping up every day, as more and more companies turn to the high priests of motivation research to find out why people buy their products—and what they can do to encourage them to buy more of them. No exact figures are available, but Perrin Stryker, writing in *Fortune* (June, 1956), guesstimated that 50 per cent of all consumer purchases were in industries in which "one or more manufacturers had tried MR." Moreover, according to Mr. Stryker, 10 per cent of all advertising expenditures in 1955—about \$1 billion—came from large corporations that used MR directly or through their agencies.

Motivation research is still far from universal, however. Last summer, judging from a *Tide* magazine survey, agencies and companies that did not use MR outnumbered those that did by a two-to-one margin. Yet only 3 per cent of the executives on *Tide's* panel of advertising men dismissed MR as "psychological mumbo-jumbo that's useless to advertisers." Most of the panelists felt that MR would take its place along with other marketing research, and that it would be used with less fanfare and bad publicity. Half of them said their firms were planning to use it in the future.

In 1957, the Advertising Research Foundation surveyed its mem-

bers to learn their views on motivation research. Half the membership—105 companies—responded. This poll indicated that 57 firms used MR—nearly a 100 per cent rise since 1954. The greatest growth was in the number of advertising agencies employing MR techniques (from 16 in 1954 to 33 in 1957). The number of advertisers using MR nearly doubled (from 7 to 13), and media also showed a gain (from 7 to 11). As might be expected, advertising agencies had twice as many MR personnel in 1957 (formally trained, or qualified by on-the-job experience) as did advertisers and media together.

The same pattern of growing interest was reflected in the number of firms that retained MR consultants. Of the 105 respondents, 25 had hired consultants in 1954; the total reached 47 by 1957.

THE MR BANDWAGON

One of the most recent studies on this subject was conducted by the business school of Long Island University. Among the respondents who used MR, about 90 per cent predicted an increase in its popularity, and even one out of four of those who hadn't used it expected to sponsor or engage in motivation research studies "in the foreseeable future." Among respondents who hadn't tried MR, however, about 70 per cent indicated that they didn't plan to—indicating perhaps, that the over-selling, pipe-dreaming, and soft-headedness of some MR boosters have made managements cynical about its potentialities. Even among companies that used motivation research, 75 per cent said that management first had to be sold on the idea. Yet when MR was undertaken, 90 per cent found that it had good effects on their advertising, and 67 per cent said it had been "of great value."

The growing use of motivation research has given rise to hordes of practitioners—working for themselves, for institutes, or for ad agencies—in contrast to the handful of motivation researchers who plied their trade before World War II.

This doesn't mean that the field is overcrowded, however. Every new product—and every minor product change—can be studied to be sure it is being presented to the public in the most favorable light. Moreover, times change, people change, and competitive situations change—and every change calls for a restudy of previous

policies and tactics. It's a safe bet that we'll be hearing a lot more about MR in the years to come.

THE PASSING OF ECONOMIC MAN

Until the end of the first quarter of the twentieth century, marketing of goods and services was based on the existence of a friendly ghost all statistic-minded businessmen will recognize immediately: Economic Man. Fortunately, little by little, Economic Man is dying off; but unfortunately, as Edward L. Bernays points out in his book, *Public Relations*, "a good deal of salesmanship today is still based

on [that] antique 18th-century notion. Our fathers sincerely believed in the myth that when it comes to business everybody can be neatly pigeonholed . . . with the tidy additional qualification of a few instincts, sex, self-preservation, and desire for food, shelter, and clothing. . . . From recent investigation and experiment, [science shows that] the human personality is far too complex to be pinned down to any simple formula. It is infinitely more complex than market research reveals."



If conventional market research, with its essentially economic approach, is not a sufficiently sharp scalpel to dissect man and society and see what makes them tick, where else can management turn for a better tool but to the social sciences—especially psychology?

Motivation research x-rays its way into man's psyche. It is a field of business research that assists top management in decision-making by attempting to bring forth, through psychological and other social scientific techniques, insights into individual and mass consumer purchasing motives and behavior.

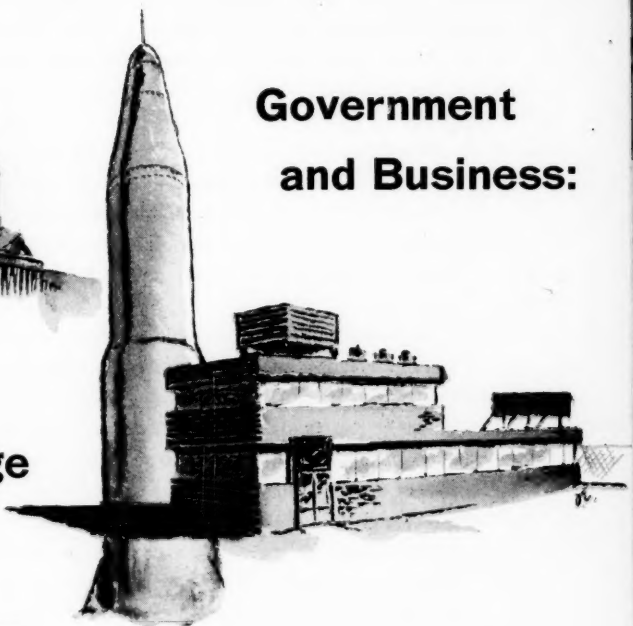
But the mistake made too often in much popular discussion of

(Continued on page 62)



Government and Business:

Partners in the Space Age



■ **John J. Corson**

McKinsey & Company, Inc.

FOR GENERATIONS, businessmen have lamented what they have referred to as "creeping socialism." Now, for one generation, we have been witnessing the most substantial desocialization this country has ever experienced. And neither businessmen nor government leaders seem happy about it.

A quarter of a century ago, most weapons and much of our defense material were being produced in government arsenals. Two decades ago, much of the research and development that precedes production was being done in government laboratories. Five years ago, practically all planning, design, and technical direction were being handled by government staffs.

During this last generation, and particularly the last five years, we have built a partnership between governmental and nongovernmental agencies that makes available for the performance of public functions a wide assortment of business, university, and nonprofit

agencies and a large porportion of the nation's desperately scarce supply of individuals with special talents. This new partnership represents a striking desocialization that has put a substantial part of the responsibility for the country's defense in the hands of private enterprise.

But if we can believe the daily presss and the conclusions of Congressional committees, this new partnership isn't working well:

- The Davis Subcommittee on Manpower Utilization recently reported that scientists and engineers were being wasted, and that unduly high salaries were being paid by some private contractors.
- Congressman Vinson has claimed that the Armed Services Committee has obtained more than \$15 million in refunds from private contractors who earned excessive profits, and that government contracting officers, technical employees, and members of contract appeals boards are inadequately qualified for their tasks.
- Congressman Holifield's Subcommittee is concerned about government's contracting out functions it should perform for itself. This subcommittee fears that, by contracting out, the departments escape both administrative and Congressional controls—for example, manpower ceilings. Finally, they manifest concern that government's dependence on pools of especially talented individuals, assembled within a few organizations, may virtually eliminate the government's option to contract with other firms.

Little that is said or written gives any indication that the partnership, despite its faults, has produced vast quantities of materiel, reduced lead times, created tremendously destructive weapons, and greatly increased the speed of our planes and the range of our missiles. What the public reads and hears is a succession of astigmatic criticisms focusing on high salaries, overhead allowances, exorbitant profits, and government's loss of control over its own business.

And the citizen may well worry about these criticisms, for he is also told that our natural security depends on this partnership. So said the House Committee on Astronautics and Space. And so said the President, in pretty straightforward terms: "Our science and technology are the cornerstone of American security, American wel-

fare, and our program for a just peace." And, he added, "the strength, growth, and vitality of our science and engineering . . . hinge primarily upon the efforts of private individuals."

DIMENSIONS OF THE SPACE AGE

The Space Age has established new dimensions for the job of defense procurement. These four developments make it clear that some basic changes will be necessary in government contracting policies and procedures:

Growing Needs

Sputnik I, a late harbinger of the Space Age, made distressingly clear that the Soviets have or soon will have the ability to back up their statements. It forced the President to reverse an earlier decision that the military budget would be limited to \$38 billion. We have known since then that we have no other course than to spend whatever is needed to build a stronger military capacity than theirs.

In other words, as the military budget grows larger, relatively less is spent for personnel and for operations and maintenance, and more for procurement, especially the procurement of aircraft (\$6.2 billion), missiles (\$3.6 billion), and ships (\$1.5 billion). Hence, government is increasingly dependent on its new and expanding partnership with business.

Changing Technology

The Space Age has vastly accelerated the already rapid technological evolution of most of the weapons we use. And this advance in weapons development has obsoleted not only weapons, but the very process of production as well. We no longer "produce" a weapons system, in the old-fashioned sense of the word—and a large and increasing proportion of the \$13 billion being spent annually for procurement is for weapons systems. The whole management process for the production of a weapons system is strikingly different from the management of production of such conventional industrial goods as automobiles or refrigerators. It is vastly more diversified, infinitely less repetitive in nature, and much more complex.

With technological advance proceeding at this pace, "lead time" is only half the problem. The important factor now is the infinitely

costly "life time"—the time from initial conception of the weapon to its obsolescence. We must conceive and develop new weapons as fast as we can just to keep pace with the Soviet Union—and much of the development and production being completed this year is already obsolete.

Scarcity of Essential Manpower

The third accompaniment of the Space Age has been a rapid and intensive deepening of the scarcity of essential manpower. That far-sighted elder scientist who mobilized our technical capacities for World War II, Vannevar Bush, foresaw then that we had to rid ourselves of the notion that we could just go out and hire any kind of man we needed. He determined, in 1942, that the Office of Scientific Research and Development would assign urgently needed projects to whatever government laboratory, university, or business firm had the particularly talented manpower that could promise to do the job creatively, well, and on time.

But even the wise Mr. Bush could not foresee what was to come, The amazing variety of skills in scientific and engineering fields—ranging from astronomy to zerogravity—required for the production of the Sage System or the Minute Man are not now found in any one institution, be it the Air Force, NASA, General Dynamics, or the Ford Motor Company. The development of almost every new weapon now requires more talent than is found in any single governmental agency, university, or business firm—and even more than can be pirated by one from the others!

The contracting consequence of all this has been pointed out by Gen. William Thurman of the Air Force. Proposals for future design, development, and production of weapons systems and major subsystems will increasingly require proposals from *system manager* and *subcontractor* combinations consisting of two or more separate companies.

It follows that the laws of supply and demand fix a fancy price on the scientists' heads. We must realize that, in the technological civilization of today and tomorrow, a physicist is, in fact, worth more to our society than a Congressman, or an Assistant Secretary for Materiel, or even a Vice President for Finance. Perhaps it is not going too far to suggest that the efforts of the physicist who con-

ceived our gigantic linear accelerator may be worth as much in dollars to our society as, let us say, the efforts of Liberace or Jackie Gleason.

The Role of Government

The fourth accompaniment of the Space Age is the necessity of throwing off certain obsolete—but very persistent—notions we inherited from our great-grandfathers as to the role of government.

Neither Russia, on the one hand, nor Britain, on the other hand, is handicapped by the notions that we cling to—either that the government should operate on a “do-it-yourself” basis, or that government is engaged in a “cops-and-robbers game” in which it must constantly police those who contract with it.

Certainly not in Russia nor, in a different fashion, in Britain is the responsibility divided on an arms-length bargaining basis between public and privately controlled enterprises as it is here. They utilize every iota of their strength; we try to fight with one arm tied behind us.

In working out a government-business partnership, we are redesigning the free-enterprise system for the needs of the Space Age. That redesign is essential to enable government to play a positive role, not only in defense production, but in many other fields: the development of atomic energy, the search for cures for cancer and heart disease, the exploration of space, the development of a safe system of civil air transport. That redesign can build strong private enterprises and create civilian products that the American people and the peoples of the world can enjoy for decades to come.

Ernest Breech, Chairman of the Board of the Ford Motor Company, once pointed out that “It was the insistence of government for new designs and unconceived models of aircraft that has made this country’s aircraft industry what it is today.” Frank Folsom, then President of RCA, added at the same meeting, “It was the demand of government contract officers that we make gears that would perform in ways deemed impossible that developed the electronic industry.” The same demand of government, reinforced by contracts, is today developing the civilian uses of atomic energy and a score of firms capable of supplying it.

(Continued on page 80)



Some Parables

■ *Pilson W. Kelly*

ONE OF THE DISTINGUISHING CHARACTERISTICS of effective problem-solvers is the broad range of sources from which they draw their methods. From natural science, mathematics, philosophy, and military tactics they glean ideas and techniques that they can put to work in solving the problems and making the decisions that arise in their day-to-day occupations.

On the lighter side, they often find that the way to analytic understanding of the problem and the direction of its ultimate solution is shown by an incisive story or anecdote that illustrates the problems or principles involved.

The stories that follow are some of those that have been told or appreciated by the problem-solvers of today's business world. Some are old, some are newer, but all have some application to the processes of decision-making and problem-solving—from the original approach to the problem through the implementation of its solution.

MAKING A START

The first important step in solving a problem is seeing it in proper perspective. This is sometimes a matter of separating it from all the extraneous facts and circumstances that surround it. One man

Mr. Kelly, a methods and procedures analyst in a prominent manufacturing company, is the author of "Memos That Get Across," which appeared in the December, 1958, issue of *THE MANAGEMENT REVIEW*.



s on Problem-Solving

who was extremely proficient at this aspect was a wood-carver, who could create a life-like statue of a bear from a railroad tie in a few minutes. His method: "I keep looking at the railroad tie until I see the bear good and clear; then I chop the wood away, and the bear is left."

One way to get a start on a problem is to bear in mind the "principle of reversal." Broadly stated, this principle holds that often the easiest way to correct a bad situation is to simply reverse the element causing the trouble, rather than try to build something entirely new.

The standard example of reversal is George Westinghouse's invention of the air brake, one of the greatest improvements ever made in the area of heavy transportation. Precisely speaking, Westinghouse did not produce the first air brake, for prior to his work dozens of devices to put brakes on by air pressure had failed: a hose would rupture or freeze up, making the device entirely inoperative. Westinghouse simply reversed the entire approach by inventing the first brake to be held *off* by air pressure, against the action of simple, powerful, foolproof springs. Then, at the first malfunction of the air mechanism, the train came to an automatic stop.

Fundamentals and Details

It is commonly supposed that the man most likely to solve a problem is the one who knows most about it. Long experience argues that this is seldom true, for a variety of reasons. The intellect by

nature can deal effectively with only a few things at a time, and the man who knows too much about the problem tends to become confused. Besides, he knows how difficult the problem is. Without this awareness, he could probably solve it more quickly.

It is more practical to say that the person who can solve a problem most expeditiously is the one who knows how to recognize the relatively few things about it that are worth knowing, because they are essential to solution. An easy way to remember this is to recall the weak-eyed chap who eschewed glasses and wore only a monocle—to keep himself from seeing more than he could understand.

We need a counterpoise for this illustration, lest the problem-solver become superficial and unrealistic, and the pertinent story concerns the boy who confessed to his father that he had stolen a three-foot length of old quarter-inch rope. The father told the boy not to bother him about inconsequential details; whereupon the boy disclosed that this was no detail, for on the other end of the rope was a \$25,000 prize cow, taken from a neighbor's barn and put in the father's—and the neighbor was coming up the walk with the sheriff in tow.

An apparently inconsequential detail sometimes obscures the hinge upon which important things turn.

Data and Definitions

In starting on any problem, one usually has some existing data to work from, and this is often in the form of averages. The main thing to know about any average is that it is not a fact, and the classic story on this point concerns an elephant named Jumbo, who drowned in a stream whose average depth was two inches. It was a half inch in depth near each bank, but out in the middle it was 40 feet deep—and that's where Jumbo, who learned the hard way about the treachery of averages, met his untimely end.

In problem-solving, as indeed in any proper thought, it is of vital importance to have all terms and aspects precisely defined. This is often easier than it sounds, since in all the world there are no two things exactly alike. Moreover, changing circumstances constantly alter facts and conditions, so that very few things will stand still for any appreciable length of time.

Some of the most serious problems of industry originate in this propensity of things to change gradually into something else. For example, does the recoverable investment in the industrial plant of America comprise the number of dollars expended for it, or is adjustment for the changes in the value of the dollar required? Subtle shifts in identity, often occurring with time, are always troublesome and frequently expensive.

One way to remain on guard against this condition is to remember the case of the kitten who grew into a cat. While everyone conceded that this had occurred, nobody could say just when.

CONSTRUCTION OF METHOD

Even if one has developed skill in such helpful arts as bear-carving, cattle-rustling, and cat-watching, he will still require external sources of ideas and facts. He must usually obtain these from other people, and the process necessarily has three phases: (1) finding the people who have the information; (2) persuading them to give the information; and (3) putting the elements together.

All three phases require a certain degree of skill, and the problem-solver's ultimate success may well depend on his fact-finding facility.

Finding the People

One way to find the proper people is illustrated by the story of the lion's claw. Several hundred years ago, Liebnitz and Newton simultaneously reported discovery of calculus, and, since Newton was not so well known at the time as he later became, some continental scientists sent Bernoulli, who gave us one of the basic laws of hydraulics, to examine the originality of Newton's work. Bernoulli reported that Newton's work was undeniably original, and he ended his report: "The lion is known by his claw."

The marks of the lion's claw, made by men of unusual ability, are to be found in every good-sized factory in the land, and in many small ones too. A lathehand with a talent for motion analysis; an engineer who explains the most obscure scientific wonders by simple concepts, until the only question in the hearer's mind is why he didn't invent the wonder himself; a toolmaker without much tech-

nical training, ferreting out the secrets of grinding titanium; a shop superintendent who knows 2,000 men as Caesar knew his soldiers—by name and capability. The man who recognizes the marks of the lion's claw and becomes friendly with the men who made them obtains considerable access to the knowledge and information he needs.

Getting the Information

In obtaining information, it is essential to remember that the greater part of wisdom lies in framing, tailoring, and phrasing the question. A classic story illustrating how closely phrasing brings things to the razor edge separating success from failure concerns two seminarians who required a superior's permission to smoke. One asked if he could smoke while praying. He was sternly refused. The other asked if he could pray while smoking, and received cordial permission.

One may become dismayed by the scarcity of resources and information that bear on the problem. At such times, remember that, although resources and information are necessary, a skilled executive can operate with far less than might ordinarily be supposed. Perhaps the acme was reached by the Commodore of the Red Anchor Line, one of the ablest men afloat. On arising, he always furtively unlocked a cabinet, read a small paper, and locked it up again. Then he would square his shoulders and go out to do whatever needed to be done—navigate the ocean, weather a typhoon, or perform heroic feats of seamanship.

The first mate, who was most anxious to share this wisdom, one day found the cabinet unlocked. Eagerly he read the paper on which the Commodore's success was based. It contained one sentence: "Starboard is right, and port is left."

The importance of being able to operate with a minimum of resources was also well understood by an old French general, who always used to conclude his lectures on military tactics the same way:

"Gentlemen, these are the things to do when you have weapons, resources, and support. But what will you use when these are lacking? Then you will use boldness—l'audace, l'audace, toujours l'audace. Boldness, boldness, ever boldness."

Men who are most successful in obtaining information from other people usually have earned the respect and affection of their colleagues—and of their subordinates. The attributes of kindness and sympathy were valued by the ancient Chinese, who told the story of a scholar who was leaving in troubled times to take his examinations at the capital. He asked the local sage, Tao Yuan Ming, for a letter to facilitate his journey—something that the almost illiterate soldiers could understand, but scholars would respect.

The sage wrote a single sentence, which over the centuries has come to be regarded as one of the most beautiful lines in the language: "Treat him kindly, for he is somebody's son." Executives who command the loyalty of their fellow workers often seem to have an intuitive understanding of Tao Yuan Ming.

Sometimes the lack of small pieces of information prevents the completion of important work, and ingenuity must be used to obtain them. One effective way, not to be used too often, is the Oriental Ambassador's Gambit. This consists of contacting the person who has the thing desired and informing him simply that you are losing face personally through failure to obtain the data. Strangely, information unobtainable in any other way usually comes promptly for this reason.

Putting the Elements Together

When it comes to assembling the elements of a problem, the stories become more scarce—as, indeed, do the competent assemblers—possibly because, as Voltaire observed, anything really worth knowing cannot possibly be taught; it can only be learned.

Some years ago, a tax expert was lecturing before other tax experts on a new and particularly important section of the Internal Revenue Code—Section 722 of the old Code on reconstruction of base period net income for excess profits tax. He identified the elements clearly enough, but great dissatisfaction was expressed from the floor because the exact method of making a case was not detailed.

The speaker's defense spotlights the importance—and the difficulty—of properly assembling data:

"The alphabet and the musical scale have only a few simple, well-understood characters or elements; but the fame of Shakespeare

and Brahms rests entirely upon their ability to put them together. That's the part that requires an expert."

FINISHING THE JOB

The importance of finishing the job is well illustrated in the story of the small-town fire chief who had become too old to go to fires. On returning to the station, the officers would report fully to the chief about all aspects of the fire, and he would chew his tobacco animatedly, but without a word. At the end he always asked the same question: "How was it when you left?"

As a reminder of the importance of finishing things, consider the case of the group of young churchmen discussing what they would do should the world come to an end. Most said that they would pray; but one man—Ignatius Loyola, founder of the Jesuit Order—said that he, too, would pray, but he would also finish what he was doing.

When you feel your solution is well in hand, don't be overly timid or inclined to worry. Remember the case of the stone masonry foreman who built a bridge for one of the first railroads in the country. As the train approached, he became so fearful and apprehensive for the strength of the bridge that he missed his footing, fell into the water, and drowned. Today, 125 years later, the very same bridge forms part of the mainline of a great eastern railroad.

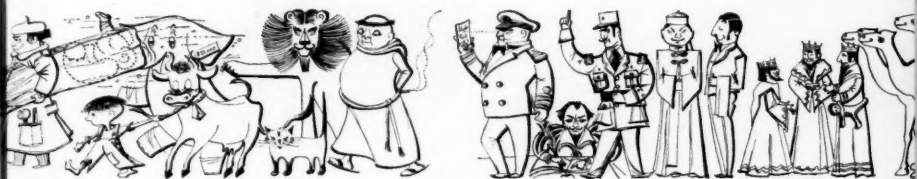
IMPLEMENTING THE SOLUTION

When it's necessary to obtain approval before putting a solution into effect, remember that one good reason is enough to justify anything, so don't complicate things by having too many reasons. The waiter who ejected a patron for drunkenness apparently realized this; when required to produce proof of the customer's insobriety, he pointed out simply, "I knew he was drunk because he had the menu tucked under his chin and was reading his napkin."

The final difficulty in effecting a solution to a problem often lies in presenting it to those who are going to be working on it. A recent president of the New York City Tax Commission covered this point nicely once when he pointed out to a subordinate, "This report is masterful, but it is worthless. An expert is required to understand it, and an expert wouldn't need it."

To insure that a solution will be properly implemented, take care to couch your presentation in terms that will be appropriate to the people who must understand it. In this regard, the executive can do no better than to be guided by Heywood Broun's last story, concerning the start of the journey of the Magi to Bethlehem.

One Wise Man asked the others to wait while he secured an indispensable gift. There was some surprise when he returned swinging a rag doll; whereupon the Wise Man explained, "I have gold, frankincense, and myrrh for the King of Kings—and a toy for the Babe of Bethlehem." ♦



TO A VERY JUNIOR EXECUTIVE

You've got this simply terrific scheme

You've worked on for weeks, my friend?

You say the plan is as smooth as cream,

As sweet as a dividend?

Will it save the firm a bushel of grief

And a sizable bale of pelf?

Then son, it's *in* if you solve one brief

Detail: be sure to convince the Chief

He figured it out himself!

—GEORGIE STARBUCK GALBRAITH

MANAGEMENT

and the

PROBLEM

DRINKER



■ **Frances I. Colonna, M.D.**

*Consultation Clinic for Alcoholism
New York University—Bellevue Medical Center*

Awakened to the shocking economic and human cost of alcoholism, industry is starting to do something about it. Here are the details of a pioneer effort—the most comprehensive company-supported program in the country today.

IT HAS OFTEN BEEN STATED that alcohol, like opium, is a drug that "maketh glad the heart of man." Unfortunately, it has other less salutary effects: in excessive doses, it causes illness and addiction and has contributed to crime, domestic unhappiness, social degradation, and avoidable accidents for the past eight or ten thousand years. Only in relatively recent years have influential men and organizations come to realize that compulsive drinking is refractory to punishment and sermonizing. Alcoholism is at last being fought out in the open, spotlighted as a disease that responds to treatment rather than condemned as an irredeemable moral failing.

What do we mean by the terms alcoholism and alcoholic? It is difficult for many people to realize that alcoholism is a disease, since it is so frequently characterized by seriously irresponsible, disorganized, and asocial behavior. Many of its victims are at first resentful

at being considered alcoholics in need of treatment; the alcoholic is usually the last one to agree with the diagnosis of his condition.

Most problem drinkers have a concept of what an "alcoholic" is, but they rarely include themselves in their own definition. It frequently develops that the problem drinker considers an alcoholic to be an inhabitant of skid row or a useless, unemployable, wife-and-child beater, in need of exhortation and punishment. As for himself, he knows that the diagnosis is wrong, for he can "take alcohol or leave it alone." Perhaps he abstained for, say, a month on one occasion. Perhaps he feels that he did have a problem, but that it no longer exists, since he has decided to quit.

There are many popular theories on how much and what a person must drink to be considered an alcoholic. For example, some think they can drink a quart of whiskey per day, as long as they don't drink alone—or that they may do away with twelve bottles of beer an evening, as long as they stay away from whiskey—or that they can drink as much as they want, as long as they don't take a drink before 5 P.M.

WHO IS AN ALCOHOLIC?

The Consolidated Edison Company, which recognized alcoholism as a medical problem as early as 1947 and has developed extensive procedures for dealing with it, defines alcoholism as the condition resulting from repeated overindulgence in alcoholic beverages wherein the employee is unable to properly perform his assigned duties. Thus, abnormal drinking is here recognized when it interferes with work, either by improper performance, abnormal behavior, or absenteeism.

The criteria of serious interference with some areas of life may be extended to include as an alcoholic anyone who uses alcohol to the point of its interfering with a successful life by creating serious problems, both for himself and the people around him, in physical, mental, family, social, or economic areas. Anyone who consistently relies on alcohol to meet life's stresses, and continues, even though it has caused him serious trouble, is an alcoholic—whether he drinks only in the evening, has never had a drink alone, or has never touched anything but beer.

Alcoholism may be regarded as an addiction when it involves loss

of control over the use of alcohol, a change in tolerance, and a driving, all-absorbing preoccupation with obtaining and consuming alcohol.

THE HIGH COST OF ALCOHOLISM

How extensive is this problem, and how costly is it in human terms? Alcoholism is America's most serious drug addiction. It stands fourth as cause of serious illness in the U.S., being exceeded only by heart disease, cancer, and mental illness. Estimates of the number of alcoholics in the U.S. indicate that, in 1953, there were approximately 4.5 million; by 1956, the number had grown to more than 5 million. Not more than 7 per cent are thought to be on skid row, and only about 6 per cent are found to be seeking help through out-patient department clinics or Alcoholics Anonymous. The experience gained by Consolidated Edison since the establishment of a company procedure on alcoholism leads them to believe that the incidence of alcoholism in industry as a whole is at least 2 per cent—and other estimates place the percentage even higher.

Absenteeism and Inefficiency

Dr. E. M. Jellinek estimated in 1947 that the male alcoholic in industry loses an average of 22 working days annually, compared with 7.5 days for the nonalcoholic. The Alcoholism Research Foundation of Ontario finds that 3 to 5 per cent of the employees in the industries they have studied have alcoholic problems, and these employees average 15.5 days of absenteeism per year—about ten days more than the normal worker. The cost related to manhours lost through absenteeism, and indirectly through inefficiency and slowdown in production, is enormous. There is also a severe loss to industry when trained workers or executives have to be dismissed.

The Human Cost

But the problem of alcoholism is even greater than the number of individual alcoholics or the economic cost of their lost time would suggest. The nature of the disease is such that nearly every victim imposes hardship and suffering on others; for each of the country's 5 million alcoholics, it is estimated that four other persons are

direct victims of the erratic behavior characteristic of the victims of the disease. It is obvious that this is a problem of no mean proportion involving public health, industry, and the family.

THE ALCOHOLIC PERSONALITY

How does one recognize the victim of this disease? To detect a confirmed addict requires no great acumen. It is more difficult to recognize an alcoholic in what we might call the incubation phase of his illness, before he becomes a confirmed addict. And, difficult as spotting him may be, it is even more difficult to convince him of his condition and of his need for help. Therefore, let us briefly discuss how the alcoholic looks to others, how the world looks to the alcoholic, and finally, whether there is a recognizable alcoholic personality.

Superficially, alcoholics seem to differ widely from each other. Some appear outgoing, aggressive, and competent, and have a great deal of charm; others appear to be quiet types, withdrawn, retiring, depressed, and often hostile, leading a lonely, single life with few interests outside the routine of the job. Yet, upon closer study, it becomes apparent that these superficial attributes represent different attempts to face life's stresses on the part of persons who basically have deeper, more hidden emotional or psychological needs in common. These diverse, superficial characteristics, be they outgoing or retiring, are the outward and visible signs of basically dependent persons, who seem to have a lowered tolerance for frustration and tension and, at the same time—and this is the important factor—have not been able to develop psychological techniques for handling them constructively.

Because, for one reason or another, such individuals have not matured to the point of feeling normally self-reliant, they are in a constant state of needing to find something or someone on whom they can count to help them through. When given this support, they may be warm and loving; but when the support is not sufficient to meet their needs, their sense of abandonment is so intense that they are capable of extreme feelings of resentment and hostility. One might say that the alcoholic shares the common need of everyone to soften life's disappointments and responsibilities. But the alcoholic has never been able to feel that he can cope with these himself. He

feels surrounded by overwhelming expectations from himself and from those around him, which he cannot hope to meet.

THE VICIOUS CIRCLE

These deep, dependent longings are not compatible with the adult alcoholic's concept of himself, and the resultant conflict leads to anxiety, tension, and depression—feelings the alcoholic's lowered tolerance cannot stand. Alcohol provides immediate though temporary relief. It allays the sufferer's conscience and allows the discharge of feelings which are utterly unacceptable to him when sober—feelings whose discharge would otherwise be prevented by his sense of fitness or his realization of the consequences.

It may seem paradoxical, but the conscience of an alcoholic is a fearfully severe one, constantly demanding, entirely uncompromising and, most often, setting unrealistic standards for both himself and others. Since he cannot meet his own grandiose standards, he inevitably suffers further loss of self-esteem, feelings of guilt, self-hate, and hopelessness—and again, he turns to alcohol. This loss of self-esteem is particularly strong after an alcoholic bout when he is depressed, hopeless, and often suicidal. He despises what he is doing, but he is driven by intolerable feelings.

DENIAL AND THE PROBLEM DRINKER

In alcoholism, as in other medical problems, it is necessary to have some degree of agreement between physician and patient as to the existence of the illness if the patient's cooperation is to be expected. One of the difficulties in trying to show the alcoholic that he is ill results from his excessive use of a psychic mechanism, common to some degree to all of us, called *denial*. The alcoholic uses denial for all it is worth.

Denial goes beyond what may be described as putting on the best face in a situation—it implies that the situation does not exist. This is not a conscious process; it is entirely distinct from lying, although it is sometimes difficult to believe that a person cannot actually see what is so obvious to the objective observer. The alcoholic sees no problem because he believes he could stop drinking if he wished. In other words, he denies that he cannot control his drinking by stating that he could if he happened to want to. This

emotionally induced blind spot is recognized by the Alcoholics Anonymous, whose first step is a psychologically sound one: "We admit we are powerless over alcohol. Our lives have become unmanageable."

Without a personal conviction that he is in the grip of an impulse which, however destructive, he cannot control, the alcohol addict cannot even try to give up the one thing that has made life endurable. Even when he does have this conviction, he will need much support and understanding while he tries to build up his tension tolerance—to become strong enough to put off immediate relief for future greater gratification and to acquire new and more acceptable means of reducing his tensions. At the same time, he must be helped to acquire a more realistic appraisal of himself so he can accept his limitations as well as his abilities; that is, the severity of his conscience must be reduced in order to raise his tattered self-esteem.

THE EARLY SIGNS

Finding these patients before they become advanced cases is an important goal of management. The typical alcoholic employee or executive may appear deceptively normal, but he may sneak his drinks and attempt to camouflage his breath. Early signs which Consolidated Edison has come to recognize and which may warrant further investigation of the individual are (1) consistent lateness or absenteeism on Monday morning, and early departures Friday afternoons; (2) unexplained disappearances from the job; (3) recurrent absences for minor ailments; (4) personality changes in a previously good worker, such as arguments, lateness, marked variations in mood, and recurrent mistakes or too-frequent off-duty accidents. Questionable cases must be evaluated in the light of information derived from the patient's history—the patient's drinking habits and his behavior at work and at home, in conjunction with a physical evaluation. These data should reveal whether he has a problem in any of these areas.

WHAT INDUSTRY IS DOING

What steps are being taken by industry to cope with this problem, which has become more severe in recent years?

Some companies are working closely in cooperation with Alco-

holics Anonymous, either by attaching a member of AA to the company medical staff or by having a separate treatment plan in charge of a full-time counsellor who is a member of AA. Other companies have established their own plans, utilizing the most advanced knowledge and techniques currently available. One such program, developed by Consolidated Edison Co. in 1947, is indicative of the extent to which some corporations are actively working to mitigate the effects of this disease.

The Con Edison Program

In 1947, Con Edison established a company procedure on alcoholism, recognizing it as a medical condition. In 1952, they underwrote the cost of operations of the Consultation Clinic for Alcoholism at University Hospital. Standard Oil of N.J. joined in its use and support and, since then, about eighteen more companies have made use of it, contributing to its support on a per capita basis.

The patients seen in this clinic are all employed, with an average of 23 years on the job, and have a big investment in terms of bonus, retirement, and similar benefits. More important, they have sufficient emotional involvement with the company to make separation a psychological and realistic threat. When they are informed that their drinking is interfering with their work, they are frequently infuriated—but they cannot toss it off as they can similar statements from an ever-loving spouse or parent. Fear of loss of a job can be a very strong source of motivation.

Many patients feel less threatened and more amenable to investigation when the term “problem drinking” is used instead of “alcoholism,” and when they are encouraged to take part in the investigation of their own problem.

Treating the Alcoholic

When a problem drinker is referred to the Consultation Clinic for Alcoholism, the medical staff endeavors to learn as much as possible about him—his personality, his social and family situation, and his physical status. He is given laboratory tests and a physical examination by the staff internist. He further receives psychological tests where deemed necessary, and he is interviewed by the staff psychiatrist. One of the important goals of these interviews is to

establish a good relationship with the patient—to make him realize that the clinic is not an extension of the company, but a confidential patient-doctor relationship. It is important to elicit some of his fears in regard to coming to the clinic and to attempt to stimulate a more positive motivation for treatment.

On the basis of all the data derived from these sources, the treatment plan is determined. This will consist of psychotherapy, either individually or in groups, whichever is best suited to the individual.

The type of psychotherapy will also be varied with the needs of the patient. For some, the appropriate approach might be a directive and supportive kind of intervention—that is, clarification and discussion of current reality problems, together with some guidance in finding more suitable outlets. For others, a more analytical investigation of underlying and often unconscious conflict is more appropriate. When a person is made aware of such hidden feelings, he is better able to deal with them.

INDUSTRY AND THE PROBLEM DRINKER

Unchecked alcoholism is an insidiously progressive disease, leading usually to severe mental and physical pathology, and often to premature death. This exceedingly complex problem is compounded by the fact that the disease itself brings so much immediate gratification that the destructive aspects so often have to reach devastating proportions before the patient is able to muster sufficient forces to attempt any form of treatment. It is therefore of vital importance that the alcoholic be helped to recognize his illness early and to utilize whatever forces are available toward his recovery.

In this area, industry can be of inestimable assistance to the alcoholic. Through such comprehensive programs as the Consultation Clinic for Alcoholism, or through less extensive programs enlisting the cooperation of Alcoholics Anonymous, U.S. companies can play an important role in reducing the economic loss and the even greater burden of human misery that results from this insidious disease. ♦

I have often thought morality may perhaps consist solely in the courage of making a choice.

—Leon Blum



MANAGEMENT AND LABOR: A New Era of BAD FEELING?

By A. H. Raskin

Condensed from The New York Times Magazine

THE STRIKE in steel and the tensions that have developed in other key industries are somber tokens that we are moving into a new era of bad feeling in labor-management relations. After six years of peace so enduring that only one day in every 400 of available work time was lost through strikes, tests of economic muscle are becoming the rule in many pivotal sections of industry.

The President's truce plea that failed to prevent a blackout of the blast furnaces reflected White House anxiety over the need for ways to check the rising tide of hostility. It came after the longest strikes in the history of the rubber industry, protracted shutdowns of three huge farm-

equipment manufacturers, the grounding of four big air fleets, and a bargaining siege in the Big Three auto companies of such bitterness that Walter P. Reuther called it the toughest in his twenty years of union leadership. A crippling tie-up of the nation's railroads seems virtually certain next winter or spring, and the government's industrial police and fire-fighters — the National Labor Relations Board and the Federal Mediation and Conciliation Service — are answering more alarms than ever.

It would be no surprise, in a period of swift upturn after a business slump, to find the mastodons of industry and labor squabbling to the point of strike over how fat a wage package should

The New York Times Magazine (July 5, 1959), © 1959 by The New York Times Company

be. But this year's combat is rooted in a basic reassessment of relationships that may have more dramatic consequences for the total community than any development since the New Deal gave unions their original character for growth.

It is the employers who are on the march this year, taking the offensive after a quarter-century of what they consider undue subservience to "monopolistic" unions and their political allies. Some of the harshest sentiments toward unions these days come from companies which only a few years ago were wholeheartedly embracing the doctrines of fraternity. Indeed, the regularity with which each partner in this improbable marriage gave the other a hand up with wage and price increases caused many officials in Congress and the White House to wonder whether even their spats were not part of a cynical routine in which the public wound up paying all the bills. Strikes often seemed less an expression of rancor than a cooperative effort by the "warring" parties to empty overstuffed warehouses and thus create an improved setting for higher prices, higher wages, and higher employment.

Now a compound of politics, economics, sociology, and psychology has generated a fresh outcropping of ill-will. It is serious enough to make moderates on both sides fear that a large measure of our capacity for economic improvement will go down the drain if some formula for accommodation is not found.

The feeling of many leaders of the mass industries that they have ridden the wage-price tandem to the last stop is reinforced by a belief that their

investments in friendly union relations have not paid off in heightened plant efficiency. On the contrary, many top industrialists complain that they have ceased to be bosses in their own enterprises. They accuse unions of devoting most of their effort to protecting "incompetents," frustrating attempts to cut down operating costs through maximum output per man-hour, and insisting on the retention of archaic work practices. Arrogant is their word for the labor leader.

The aim of the corporate rebellion is to restore management's initiative at the bargaining table and in the plant. This determination to climb back into the driver's seat was emphasized by the industry bargainers in the pre-truce negotiations in steel. "You've been pushing us around for eighteen years and we're going to stop it," was the blunt way one of them put it in a session with the union chiefs.

Such displays of toughness are becoming increasingly fashionable in management circles. Indeed, company officials make little secret of their disdain for colleagues who fail to put up a sufficiently resolute battle against union negotiators.

What makes the employer initiative particularly disturbing to the unions is the ocean of woes with which they are already surrounded. The recession hit the giant industrial unions hard; hundreds of thousands of their members suffered months of unemployment. Automation may cause an even more drastic long-term shrinkage in their membership and influence; organizing is at a virtual standstill; efforts to penetrate the South are meeting with increasingly violent re-

sistance; the AFL-CIO is racked with internal feuds.

The rise of employee stock ownership (1,335,000 unionists now are listed as participants in this aspect of people's capitalism); the influence of seniority and pension programs in anchoring workers to particular companies; the advances in educational levels; home ownership and involvement in community agencies; the increased assertiveness of employers in developing avenues of direct communication with workers and their families — all these tend to create pulls toward the company and toward identification with middle class mores, rather than with labor as a separate entity.

Perhaps most disquieting of all in the considerations making for an upsurge in strikes is the fantastic productivity of our industrial machine and our inability to find markets here and abroad for all we can produce. Our steel mills can fill in nine or ten months all our annual requirements for domestic or export use. We are similarly overendowed with capacity to make automobiles, washing machines, refrigerators, lamps, television sets, ships, railroad cars, and a thousand other items for which there is need in an underendowed world — but too few buyers.

This is the kind of problem that requires the collective and cooperative best judgment of government, industry, and labor for solution, not the use of strikes as a periodic device for draining inventories and thus keeping prices artificially high. Otherwise, as the miracles of pushbutton production open the way to a limitless expansion of living standards for ourselves and

the world, we will turn instead to the type of calculated lunacy we already follow in maintaining artificial farm prices.

Fortunately, in many industries, powerful companies and powerful unions are comporting themselves in a civilized fashion that pays dividends for workers, employers and consumers alike. John L. Lewis, who used to be regularly accused of killing "King Coal," is now acclaimed by the mine operators as the industry's savior for his encouragement of mechanization and other measures to make coal more competitive with oil and natural gas.

The industry associations in the needle trades look to the heads of their unions—David Dubinsky of the International Ladies Garment Workers Union, Jacob S. Potofsky of the Amalgamated Clothing Workers, and Alex Rose of the United Hatters — as the architects of stability in what otherwise would be an industrial jungle. The hat union has plowed \$6,000,000 into measures intended to spur hat sales, increase jobs, and revive faltering enterprises.

The building trades unions and the major associations of contractors have set up joint machinery to war on wasteful construction practices. Similar mutual-help projects are under way in other sizable industries.

What is needed in the general collective bargaining field is a comparable search for yardsticks that will bring some science into the process. Bargaining should not be a process of dictation by one side or the other, and it certainly should not be a mechanism through which both sides gorge themselves at the expense of the general welfare.

One hopeful road to peaceful relations already is being explored on a limited scale. It is the calling in by labor and management of private consultants like David L. Cole, one of the country's most distinguished arbitrators, to survey what is wrong with their joint dealings and to make recommendations for a more fruitful partnership. Such a detached stock-taking can do much to elevate the bargaining process into a vehicle for enriching the entire community.

Charles E. Wilson, during his presidency at General Motors, left a useful heritage in the form of the annual improvement factor he introduced into the wage agreements between his company and the UAW. This provides a regular increase of 2½ per cent each year in a worker's buying power as his share in the long-term growth of the economy — a concept to which Wilson gave the happy name of "progress sharing."

In the current reorientation of management thinking about bargaining, this plan has come in for sharp

attack. Its elimination would remove almost the only scientific method now in widespread use for determining what is a reasonable pay increase.

From the union side have come proposals for a conference of leaders in industry, labor, and public affairs to seek a more harmonious climate. But the collapse of George Meany's attempts to work out a nonaggression pact with the National Association of Manufacturers after he became head of the merged labor federation in 1955 and of the post-war labor-management conference called by President Truman does not encourage optimism about the chances for anything but self-serving talk.

The trial separation now in effect between important segments of labor and industry may help convince both that their future relations must give priority to the public interest. But no lasting stability can be achieved if either side arrogates to itself such Olympian wisdom that the other's views are excluded from meaningful consideration. ♦

We'll Still Have to Sell

SOME MARKETERS are counting on a rocketing population increase in the next decade to make an "automatic" market for them. They are likely to be disappointed. Population will grow in the sixties, but at a rate only slightly better than in the fifties. An analysis of a projection of the Bureau of Census, published late last year, indicates that the population of the United States will increase 21.1 per cent between 1960-1970, little more than the increase of 19.4 per cent between 1950-60. Although the revised census estimate adds 10 million persons to the previous estimate, it leaves us relatively worse off by age brackets than the prior estimate: It adds to the previous estimate 6.6 million persons under 20; 700,000 over 65; and less than 900,000 in the working-buying group of 25 to 64 years.

—Sales Management 2/20/59

**More people are working today than
ever before—and a larger percentage
of them are members of management . . .**

Our Growing Executive Population

Condensed from The Wall Street Journal

THE RATIO of bosses to workers has jumped radically during the postwar years—and it seems to be headed even higher.

That's the key conclusion drawn by two Princeton University researchers from a detailed study of 50 U.S. companies. It was a conclusion that alarmed the companies surveyed—most of which had been unaware that the ratio was changing in their organizations. However, the two researchers, Dr. Frederick Harbison, director of Princeton's industrial relations section, and Dr. Samuel E. Hill, regard the trend as a logical reflection of generally rising industrial productivity: fewer production workers are needed to turn out a specific amount of product.

More than two-thirds of the companies surveyed reported increases in the ratio of executives to total employees during the 1947-1955 period that the study covered. Among those firms, the average increase in the proportion of executives was 32 per cent. If the study had been extended through 1958, maintains Dr. Harbison, it would have indicated this increase was continuing. Executives

were defined in the survey as "all persons whose primary job is supervisory, embracing personnel from foremen to chief executives."

Administrators—staff assistants to executive personnel—also increased as a proportion of the work force in the 1947-1955 period. Two-thirds of the 50 companies reported increases in the proportion of administrators; the average increase for this group was 52 per cent.

Drs. Harbison and Hill say that, when they presented the companies with their findings, the reactions ranged from shock to disbelief. "Some of them refused to believe their own statistics and took three months to recheck them," relates Dr. Harbison.

"Bureaucratic expansion, more popularly referred to as 'empire building,' was probably a factor in some of the companies studied, particularly during periods of high prosperity and high profits," Dr. Harbison concedes. "Nevertheless, we found that in comparison with other factors it was a very minor cause of expansion in the proportion of non-production employees in company work forces."

The researchers, for example, found

The Wall Street Journal (May 19, 1959), © 1959 by Dow Jones & Company, Inc.

that in companies where the number of executives and other white-collar workers increased faster than the number of production workers, there also were rapid gains in productivity. Conversely, companies where the relationship between white-collar and production workers showed little change reported only slow increases in productivity. Other factors tending to boost the proportion of executives and other white-collar workers, say the researchers, are decentralization of managements and diversification of product lines.

The study also points up the growing importance in corporate work forces of professional employees — such as engineers, scientists, and lawyers — and technicians. Three-quarters of the firms surveyed reported increases in the proportion of professional employees during the 1947-1955 period, with the increases averaging 65 per cent. Technical personnel, who perform sub-professional tasks, were studied at 22 firms. Of these, 15 reported increases in the ratio of technical workers to total employees.

Of the 50 companies studied, 42 showed increases in the proportion of white-collar workers of all types during the 1947-1955 period. The increases averaged 24 per cent. On the other hand, production workers increased as a percentage of total employees in only five of the companies studied.

The Princeton researchers' findings are supported by government figures reporting that the number of production workers in all U.S. manufacturing increased about 1 per cent between 1947 and 1957, while the

number of nonproduction employees jumped 55 per cent.

As an example of how a firm increases the number of its executives when it decentralizes its management, the study cites a machinery manufacturing company that increased the proportion of its executives by 67.6 per cent in the period between 1947 and 1955, while the proportion of its production workers declined 3.9 per cent. This happened, the researchers say, because the company established a number of separate product divisions, one for each of the principal machines that were marketed by the company.

When a galvanizing firm made a shift between 1951 and 1957 from the batch process of production to continuous galvanizing, its proportion of executives rose by 37.8 per cent, while its proportion of production workers declined 16.3 per cent. At the same time, its output per employee increased nearly four fold.

Dr. Harbison believes that a company's growth in size is not in itself responsible for an increase in the proportion of executives and other white-collar personnel. He found that the proportion tended to remain unchanged or even to decline in companies which made few changes in products, methods, or organizational structures.

The researchers conclude from their survey that most companies fail to take into account the changing composition of their work forces when planning for the future.

"They assume that occupational composition will not change in the future, which is tantamount to assuming that there will be no major inno-

vations," the report states. They cite as an example one company that made a five-year projection of its employment needs in 1955; by 1957, it had already exceeded the number of managerial and professional employees it had estimated it would need by 1960.

In recruiting college graduates, says the study, "for the most part, companies are preoccupied with their immediate requirements and with short-run development projects. In long-range manpower planning, most companies really do not know where they are or what their future needs will be."

A management thinking ahead to its executive needs ten or twenty years

from now, says Dr. Harbison, "should be looking around today for a broadly trained person with the mental flexibility to adjust to the type of organization that may be needed in the future. His specialty may be obsolete in the future, but his background and mental capacity will allow him to adjust."

If managements start taking this into account in their executive recruiting, there may be a move away from specialized business courses in undergraduate college work and toward the liberal arts, suggests the Princeton professor. Concentration on a special field might come during graduate study, or after the student has joined a particular company, he believes. ♦

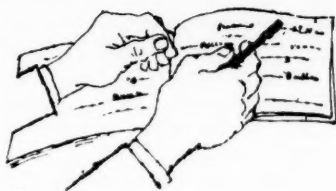
A Language Machine Tools Understand

"ON KUL, ON SPN, GO RGT, TL LFT, CIRCLE/CTR AT, +2, +3, RADIUS, +5." The line above is no misprint. It's written in "APT," a language that machine tools can understand. Translation: "Turn on the coolant, turn on the spindle, go right with the tool on the left side along the circle whose center is located at x equals 2, y equals 3, with a radius of 5."

APT (for Automatically Programmed Tool) is the end product of two years of intensive research at Massachusetts Institute of Technology. Co-sponsored by the Air Force and Air Materiel Command, APT has enlisted the help of 19 U.S. aircraft plants. This 107-word, simple (no words of more than six letters) language is the heart of a revolutionary new system which enables a programmer to write a general outline of a machining sequence by following an engineering drawing. The written-in-APT-language outline is punched onto cards, which feed the problem into a computer that translates the information onto a punched tape, which in turn automatically controls the movements of any machine tool equipped with numerical controls.

Basically, APT's advantage over more conventional methods of numerically controlling machine tools is that it eliminates the long hours a programmer must spend in calculating the moves of a machine tool and in translating them into numerical form to be punched onto a tape.

—*American Machinist* 3/9/59



A Blueprint for Corporate Giving

By Albert C. Lasher

Condensed from Dun's Review and Modern Industry

IN TEN short years, corporations have become the staunchest supporters of the nation's charities. Corporate gifts, exclusive of employee contributions, account for roughly 40 per cent of the totals received by United Funds and Community Chests. Despite the recession, U.S. corporations last year increased their charitable contributions to about \$525 million, or \$5 million over the 1957 total, according to estimates by the American Association of Fund-Raising Counsel. In 1948, the U.S. Treasury Department reports, corporate giving totaled only \$239 million.

But despite its growing importance, in many companies today corporate philanthropy still is viewed as a somewhat annoying obligation, and—particularly in small companies—is usually handled in a rather haphazard manner. Listen to Kenneth G. Patrick, vice president of the Council for Financial Aid to Education, and former manager of education relations and

corporate support for General Electric Company:

"Most corporate dollars are given away as a reaction to pressure. The company wouldn't do it voluntarily. It's pushed by a customer, a director, or someone making noise."

Patrick says the contributions committees of many companies are composed of executives who have no time to be competent in the philanthropic function. "They do a lot of things that are pretty bad," Patrick observes, "and nobody knows what's going on."

Haphazard distribution of charity dollars can lead to many abuses. Phony charities, for example, which thrive on such off-hand corporate giving, siphon off the bulk of the funds collected as "administrative expenses."

It's hard to determine the point at which promotional and administrative costs become excessive. Some companies automatically rule out a charitable agency whose expenses climb above a certain percentage—e.g., 15

Dun's Review and Modern Industry, (June, 1959), © 1959 by Dun & Bradstreet Publications Corporation.

per cent of the agency's income. However, many persons who specialize in analyzing charities insist that an arbitrary cut-off point is invalid. Says one expert: "It's like saying any company whose stock returns less than a 4 per cent dividend isn't worth the price." Each philanthropic organization, these specialists say, must be individually analyzed.

Another waste of money that can result from careless corporate giving is distribution of charity to outdated health or welfare organizations or to organizations whose requirements are nowhere near what the donor is led to believe.

Careful philanthropy by a corporation can not only achieve charitable goals, but can directly and indirectly aid the company itself. Aid to education is a good example. Today, education is the recipient of a large and growing percentage of corporate gifts. The National Industrial Conference Board, in a study of contributions by 180 large companies, found that in one recent year 31.3 per cent of their total philanthropic dollars went to support educational institutions. This percentage was topped only by the 40.1 per cent slice that went to social welfare agencies.

An initial step toward a planned program of giving is to appoint someone to handle it. In a large corporation, this job might require the full-time attention of a specially trained executive who reports periodically to a contributions committee made up of top officers of the company. In a smaller organization, the president himself might take on the entire responsibility. In both cases, the operation is pretty much the same.

Five other major steps necessary to establish a charity program are:

1. Study of the current status of company giving.
2. Development of policies for giving and determination of areas of support.
3. Determination of whether or not to establish a foundation.
4. Establishment of a system of financial controls and follow-up.
5. Investigation of contribution problems.

The key step here is to outline a policy and establish goals. A detailed written policy makes for a consistent pattern of giving. It also reduces contributions to agencies whose functions overlap and to organizations with conflicting purposes.

But perhaps the most important function of a clearly defined program, at least as far as its chief administrator is concerned, is that it enables him to say "no" with grace and conviction to the overflow of requests the company can't fill.

The field of philanthropy can be broken down into five broad areas: (1) Community Chests, United Funds, and other community appeals; (2) voluntary welfare agencies, such as the American National Red Cross, hospitals, cultural and community activities (e.g., libraries, museums, parks), and "American way" or economic organizations; (3) education and research; (4) religious organizations; and (5) other miscellaneous activities.

Some companies distribute their charity dollars throughout the various philanthropic areas. Others restrict themselves to a single area.

Once a policy is established, a com-

pany must then decide how much it's going to spend. No single factor determines the size of a company's budget or the size of any single contribution. The most important variables are previous contributions, the sum of current recommendations, and the company's earnings before taxes.

The Internal Revenue Code allows a deduction from taxable corporate income of up to 5 per cent for gifts and contributions. But most companies' contributions fall well below this percentage. Another factor bearing on the contributions budget is the attitude of stockholders. For a long time, managements feared stockholders' suits over contributions that didn't have crystal-clear benefits to the companies, but court tests have lessened this worry.

Basically, there are two approaches to determining the size of a contributions budget. The more common approach is to build the budget from the bottom up by adding the requests proposed by various units of the company, and adjusting the total to what the company can afford. Another method is to establish an over-all amount and then allocate various sums to areas of support.

One of the problems in budgeting for charity is that the demands of the charities usually run counter to the trend of profits. In a recession year, for instance, individual contributions to charity decline, and philanthropic organizations step up the pressure on business givers. But during this same period, business profits are generally shrinking, and so some companies find it necessary to reduce their contributions.

One way in which a growing num-

ber of corporations are attempting to even out such fluctuations in giving is by setting up charitable foundations. Best estimates place the number of corporation-supported foundations at about 1,500. Their purposes range from that of the huge U.S. Steel Foundation, which handles a wide variety of contributions for that corporation (this year it will give \$2.3 million in aid to education alone), to the Bulova Foundation, which devotes most of the watch company's donations to training handicapped veterans in watchmaking and repair. Company contributions to a charitable foundation are tax deductible, as is the income of the foundation.

Charitable foundations need not involve large sums to be effective. The Columbia Broadcasting System's CBS Foundation, for example, contributed \$2,500 for books for a New York University browsing room to be built as a memorial to one of the school's deans who conducted a weekly educational television show on CBS.

Many companies make it a practice to donate sums to community chests in areas where they have plants or offices. This permits better distribution of funds and relieves the companies of the burden of deciding the merits of small organizations — some companies get several thousand requests each year from small groups.

One of the major problems facing companies with charitable funds to distribute is the evaluation of requests falling within the framework of their budget and program. The key rule to remember here is simply to investigate before investing. The charitable organization itself should be willing to supply detailed information about

itself, including its fund-raising and administrative costs, its total income and the sources of that income, and the amount of money it spends directly in behalf of its cause. However, information about the agency is easily accessible from outside sources. Also, companies usually are willing to exchange information on a specific charity.

It's best to keep a permanent file on each agency requesting a contribution, with reports, memos of phone calls and interviews, newspaper clippings, the source of the original request, and contributors within the company. The file also should include a record of the company's donations

to the charity. When all the pertinent information is pulled together, it can be summarized in a brief report to the company's contributions committee or whoever has the responsibility for passing on recommendations.

A company can extend its charitable reach through investigation, careful analysis of the facts, and an organized program of giving. Without increasing its philanthropic budget, the company can increase its number of positive responses to requests for charity, distribute its donations in places where they will do the most good, improve its public relations, and, in general, better meet its social responsibilities. ♦



"This isn't a social call, mother."

Companies whose business involves direct dealings with the public have learned that their success may depend on customer courtesy . . .

"The Voice with a Smile"

Condensed from News Front

HOW DO GIANT SERVICE and sales corporations, whose success or failure is completely at the mercy of employees dealing directly with the public, establish and maintain a high level of employee-customer relations?

The first responsibility falls on the personnel executive, whose job is to determine in advance whether a prospective employee will smile rather than snarl in a difficult situation, and will win, not alienate customers. His principal tools are the interview, the aptitude test, and the previous job record—and he often uses all three to gauge an applicant's ability to handle people. The basic technique, most personnel directors feel, is the interview—or several.

Most job seekers, however, wear their best smiles to an interview. To discover whether or not these smiles are only temporary, some companies give personality tests which measure affability, adaptability, and stability.

Sears Roebuck recently made a study of the personality tests it uses on its 220,000 employees. It not only showed a very close correlation between actual job performance and test scores, but also revealed that personality alertness was more important

to successful selling than mental alertness. The Sears test, an adjectival checklist, measures, among other things, ability to work under pressure, initiative, flexibility, and energy.

After job candidates have been screened as carefully as possible, the next phase in "company manners" is usually a training program featuring service indoctrination. The New York Telephone Company—a leader in service training—in 1953 initiated a "Voice and Courtesy" program, which has been adopted by Good-year Tire, General Electric, Trans World Airlines, and other companies that have a great deal of telephone customer contact.

In workshop sessions called "Courtesy Around the Clock," "Your Voice Is You," and "The Voice with a Smile," operators learn to handle irate customers, to explain and apologize for delays, and to avoid contradicting. Girls are instructed to "tune in" with the customer—to listen to his story and then try to pacify him. Operators are judged by both correctness of information and courtesy and clarity of speech. Supervisors, monitoring calls from a master switchboard, maintain a constant

News Front (July, 1959), © 1959 by Year, Inc.

check on both counts. Business representatives get an even more extensive eight-week course and go back for refreshers.

In 1952, Pan American World Airways launched an integrated human relations, job attitude, and technique training program to convert its staff of 22,500 into "public relations men." Last year, 9,000 employees received 744,000 hours of training in 175 separate courses and nine full-time schools throughout the world.

The program is designed to make the employee see the customer's point of view and sympathize with his problems. Using the industry's most comprehensive library of training films, slides, recordings, and easel presentations (estimated to have originally cost \$500,000), it covers all possible emergencies, from out-of-hand children to out-of-hand drunks. The films, which are very short and have a strong emotional impact, offer no solution to the problems they dramatize—canceled flights, engine trouble, first flight fright, and language difficulties. They are designed, instead, to stimulate discussion on how, in the best interests of PAA, the situation should be handled.

The customer relations department, which compiles a monthly report on passenger opinion—biggest headaches are lost baggage and oversold reservations—estimates that in the first year of program, the ratio of compliments to criticism rose 50 per cent.

General Electric, which prides itself on its high social I.Q., indoctrinates all employees with its philosophy, "The customer is king." The Association of Publishers' Represent-

atives recently named its Schenectady office as the place where they were most courteously received.

The First National City Bank of New York puts tellers—their customer contact men—through a training course conducted in a model bank, completely equipped right down to \$50 million of stage money. Here, in addition to learning how to handle banking transactions, they learn how to handle customers, cope with complaints, and answer inquiries.

As part of a "Pleasing Our Customers" program, the New York Central Railroad urged employees to hear out complaints, to apologize instead of alibi, to be patient and answer even foolish questions seriously, and always to explain the reason for and length of delays.

Hilton Hotels have weekly staff meetings to wrestle with problems like those of the besieged room clerk who hasn't had enough check-outs for the line-up of angry guests with confirmed reservations. Tape recorders are used from time to time in the telephone room so that operators can hear exactly how courteous they sound.

Customer courtesy in department stores is learned usually through actual on-the-floor training. Stores like R. H. Macy's use a "sponsor" system in which new personnel work under the wing of a picked veteran.

The positive value of sustained courtesy training was proved when, in a New York department store experiment, individual sales rose an average \$25 per day while training was going on, but after dropped back to normal.

Both Alexander's and Macy's department stores use shopping supervisors who spot-check sales people's attitudes. When reports in a department go down to 70 per cent, training is resumed.

Basically, all personnel and training executives agree with Pan American's public relations director, Rear Adm. H. P. Miller USN (ret.), who believes that employee courtesy is

basically a matter of employee morale, to which a good internal communications system is essential. Informing employees of company objectives and problems helps them identify their own future with that of the firm. A satisfied employee with a sense of loyalty to, and pride in, his company will be more likely to do a good job--and be well-mannered in so doing. ♦

A Mirror for Sales Executives

IN THIS ERA OF DIVERSITY, the sales and marketing executive must often wonder how he compares with his counterpart in another company. To find out, Sales-Marketing Executives of Chicago recently polled its membership. Here is the composite portrait that resulted:

He most likely works for a national concern (73 per cent) and is likely to be concerned with selling industrial or consumer products (26½ per cent) rather than services or the multitude of other facets of marketing.

He is highly mobile (an overwhelming 67 per cent have been in their present jobs less than five years) though he is likely to have been with his present company for quite a while. For instance, some 21 per cent have been with the same firm between six and ten years; 20 per cent between 11 and 15 years, and 13 per cent between 16 and 20 years.

He likes selling and doesn't plan to change into another field (95 per cent). For 51 per cent, it was a case of "love at first job," but the other 49 per cent started out in some other field.

He is well educated. Some 43 per cent hold a college degree, and another 36 per cent have had some college training. If he were entering college now, with the benefit of hindsight, his choices for study would be public speaking, psychology, English, salesmanship, and sales management.

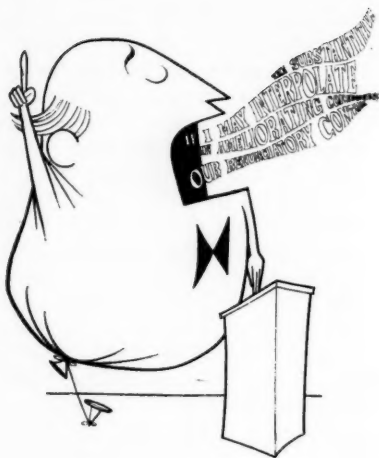
Sales have provided material rewards. Most of the executives polled have a car, some have two, and a few have three or four. The homes owned by most of the executives range from \$20,000 to \$50,000 in value.

He is well paid. The medium income falls between \$15,000 and \$20,000. More men earn over \$25,000 than those who earn under \$5,000 by about five to one.

He is likely to be in his late 30's or early 40's. The median age falls in the 35-44 age bracket.

He plans to retire at 65, and he has a retirement income plan of his own, as well as one provided by his company.

—Printers' Ink 4/17/59



If we keep burying simple ideas under elaborate language, we'll soon be unable to understand each other at all . . .

Breaking the BOMBAST BARRIER

By Glenn Kerfoot

Condensed from Supervisory Management

AN EXECUTIVE in a large manufacturing firm recently asked his secretary to distribute supplies of a new interview form to each of his foremen. She was also instructed to tell each foreman that more of the forms were available.

The girl delivered part of the forms personally, telling each foreman she saw: "If you need more of these forms, call me."

Returning to her office, she prepared the rest of the forms for mail distribution. Laboriously, her boss composed a memo to send along with them. It read: "In the event that you are desirous of obtaining additional supplies of the enclosed form, kindly contact this office at your earliest convenience."

The way this executive handled a simple writing chore is common in business today. In fact, if the practice of burying a simple idea under pompous, elaborate language continues, managers may not be able to understand each other at all in a few years.

Unfortunately, many people in business think they have to write this way. New employees eagerly adopt the habits of the old-timers, and a vicious circle of poor communication results. It is impossible to estimate how much wasted time piles up when people dictate, type, reproduce, and try to understand memos and reports that were purposely fogged up with big words and fancy phrases. One can only guess how many important deals have failed and how many

Supervisory Management (September, 1959), © 1959 by the American Management Association, Inc.

wrong orders have gone out because of the fog.

No one says that business writers should adopt the one-syllable vocabulary of the first-grade student. However, simple writing can have genuine strength and dignity and still be understandable. The Lord's Prayer has endured for centuries, though it is written in language a child can understand. Lincoln's Gettysburg Address is a masterpiece of simplicity and sincerity.

Take a look at some of the great statements of history—phrases uttered in the heat of battle by men who wanted to communicate, not confuse. "Don't shoot until you see the whites of their eyes" . . . "Damn the torpedoes! Full speed ahead" . . . "These are times that try men's souls" . . . and that World War II classic, "Sighted sub, sank same."

Clarity alone may not account for the enduring popularity of statements like "Don't give up the ship!" but it's doubtful that Perry's remark would be printed in every history book if he had said, "Please be advised to retain control of this vessel until further notice."

Yet business letters, memos, and reports contain far too much fancy, abstract language, too many big words, too many long, windy phrases. The people who write this way know what they're talking about—but they don't say it.

In business writing, things rarely get started any more. Instead, they are "activated," "instigated," "initiated," or "inaugurated." New policies are "implemented." Equipment is not used, but "utilized." A friendly call is a "visitation."

Managers don't think—they "philosophize." They don't try something; rather, they "attempt" or "endeavor." They don't find out things—they "ascertain." Instead of helping someone, they "render assistance." They don't get things—they "secure" or "obtain" them. They see only the things that are "readily discernible."

Business-letter writers don't just know something; they are "cognizant of the fact that . . ." Something that is proper is "appropriate," and facts must always be "pertinent."

A man is no longer paid for his work. Instead, he is "compensated," "remunerated," or "reimbursed." Things don't even end any more—they are "terminated," "finalized," "completed," or "concluded."

Henry Watson Fowler, the grand old man of English usage, once said, "Those who run to long words are mainly the unskillful and tasteless. They confuse pomposity with dignity, and bulk with force." America's famous industrial-readability counselor, Robert Gunning, adds that "most writing you meet in business is harder reading than it should be."

A manager who thinks he needs big words to express a simple thought or idea is wasteful. He wastes his own time and the time of the people who must understand and use his communications. His employees and associates may even smile at his efforts to show off by parading his education before the public.

The habitual user of big words and fancy language is more interested in impressing people than in expressing thoughts. Unfortunately, in most cases he succeeds in impressing only one person—himself. ♦

THE UNION PRESS—

Window in Labor's House

Condensed from Industrial Relations News

BY REASON of its large circulation alone, the labor union press is one of the nation's more important communications media. The combined circulation of the 300-plus members of the AFL-CIO's International Labor Press Association is estimated at nearly 20 million, and there are other publications not included in this tally.

Managements, however, ignore the labor union press as a general rule, it was found from talks with labor editors, union officials, and company representatives. If they read it at all, they read it casually. As a practical matter, this massive communications network reaching almost every union family in the country just doesn't exist for most companies. Yet the labor union press has played and can play an important role in labor-management relations.

It is impossible to separate management's relations with labor papers from its relations with the unions that publish them. If management and labor don't get on well together, the antagonisms will naturally be reflected in the union papers. Even labor editors working in relatively trouble-free industries concede that there remains an undercurrent of hostility stemming from the long period during which the labor movement

fought bitterly to establish its rights and privileges in business society. But in most labor-management relationships today, there is at least a climate in which each party warily cooperates and compromises.

The labor press is often quick to criticize management. The editor of one labor magazine noticed a feature in a company house organ comparing a worker's life today with his life in the world of the future. Says the labor editor: "I poked fun at it. They talked of a world that never was and never will be."

Management has come to expect this treatment, and as a result may often refuse to supply labor union editors with material for fear that some of it will be twisted out of shape in the union press. In some cases, to be sure, the fear is well founded. But the same problem is present even in dealing with the big consumer publications.

Although the union press is still extremely sensitive to management's actions and statements regarding the trade union movement, it is nevertheless growing more mature and responsible in its outlook. "What you have now in the labor union press," says one labor editor, "is an admission that there are good employers and bad em-

Industrial Relations News (April, 1959), © 1959 by Industrial Relations Newsletter, Inc.

ployers, companies with good labor relations and companies with bad labor relations."

An important factor in management's attitude toward the union press is the widespread publicity given to racket advertising in the daily newspapers. There is no question that these rackets exist. Some "labor" papers are outright phonies, vehicles for advertising solicited by high-pressure salesmen who have no connection at all with the trade union movement. Many management men feel that an ad solicitation from a labor paper is either a shakedown or a request for a handout.

The trade union movement itself is split on the issue of whether the union press should accept advertising. Unions ante up between \$20 million and \$25 million a year to pay for their newspapers and magazines. About half of this comes in via advertising revenues; the rest comes out of dues. George Meany, president of the AFL-CIO, has been campaigning against ads of any kind in labor papers. However, 52 per cent of all member papers of the International Labor Press Association accept advertising. Alexander Smith, president of Trade Union Advertising, Inc., an ad agency specializing in preparing ads for the union press, says his clients consider the labor papers a good medium for selling union-made goods.

A large proportion of ads in labor papers, though, are anonymous insertions by non-union as well as union companies. Many of these concerns place them out of fear that if they didn't they'd have union trouble. But union leaders insist that no union

trouble would befall an employer refusing to take an ad in a union paper.

Although there may be some misconceptions behind management's neglect of the union publication's editorial pages, there is also more soundly conceived reasoning. A vice president of one of New York's largest public relations firms summarizes this kind of management thinking:

- You can reach the same workers more efficiently through the general press.

- A company has to make a special effort to submit news and features in line with the needs of the labor papers. For example, a photograph must include a union worker or a union label.

- A company with union problems, or one that isn't unionized, has little chance of getting publicity in union papers.

- Many companies aren't wholly organized, and they would just as soon not call attention to this partial unionization for fear it would encourage other unions to come in.

Some union papers, though, would be receptive to newsworthy material generated by the companies themselves. Public relations experts familiar with the union press say that reaching workers through their own union papers is far more effective than through the daily press.

When it comes to economic policy, national or local politics, and internal union affairs and inter-union matters, the labor editor follows strict union policy. One study of 100 labor papers shows that 70 per cent of their editorial columns is devoted to these three categories of news, with space about equally divided between them.

A good many labor papers run stories designed to promote union-made products, on the theory that their union readers are also consumers. *Textile Labor*, for example, the monthly magazine published by the Textile Workers' Union, runs two-page features on new textile products made in plants covered by a Textile Workers' contract. Many labor papers would willingly publish material such as this, but don't get any from the companies. And they haven't the staffs to get it themselves.

Labor editors are leery of anything that can be considered company propaganda. However, one says he would print anti-union comment, "if it was intelligent." But, he adds, "We'd criticize it, of course."

Here, from the labor editors themselves, are some points for management to keep in mind in building a regular working relationship with a union paper:

1. Analyze the union publications your workers get. Pick out those whose editors put out the paper or magazine on a regular basis.

2. Talk to the editors to discuss their papers, to determine just how the company can help in supplying information, interviews, or photographs.

3. Don't be discouraged if you meet with resistance at first. Keep sending the material in. The pickup will increase after a while.

4. Be forthright in your dealings with the editors. Feel free to call them if you find factual errors in stories on the company.

5. As far as advertising goes, don't buy ads over the phone; let your ad agency handle all your advertising, including that in labor papers; check every new labor paper or ad solicitor with the business agent of the local union or Central Labor Council, and with the Better Business Bureau. ♦

Our Shrinking Dollars

THE \$5,000-A-YEAR MAN of 1939 must earn \$12,113 today to break even in terms of purchasing power, according to the National Industrial Conference Board's "Road Maps of Industry" series.

In 1939, the married worker with two children and an annual salary of \$5,000 netted \$4,941 after paying \$59 in social security and federal income taxes. In order to bring home \$4,941 today, he must first pay the federal government \$1,816 in taxes and forfeit \$5,356 in purchasing power lost to inflation.

Viewed conversely, the husband and father of two who earns \$7,035 a year today can purchase only as much as his counterpart earning \$3,000 a year in 1939. Taxes in the earlier year amounted to \$30; today they take \$846 from this wage earner, while inflation washes away another \$3,219.

Other selected 1939 incomes and the amounts which must be earned today to equal their purchasing power include: \$1,500 in 1939—\$3,256 today; \$10,000 in 1939—\$25,674 today; \$25,000 in 1939—\$76,860 today; \$50,000 in 1939—\$173,238 today; \$100,000 in 1939—\$388,547 today.

CORPORATE DIVIDENDS:

A Big Payout in 1959

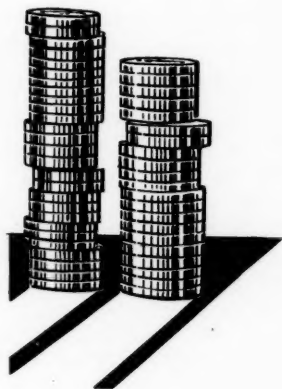
Condensed from Business Week

DIVIDEND POLICY, always a sensitive subject among corporate executives, is touchier than ever these days.

Last year, management gambled that the business slump would be shallow and short-lived. To show their confidence, most corporations kept up their payments by raising payout ratios. Dividend payments in 1958 totaled \$12.3 billion (down only \$110 million from 1957), while corporate net income reached \$18 billion—for a 68.3 per cent payout ratio, as compared to 56.9 per cent in 1957 and 52 per cent in 1956.

This year's dividends will be higher and should hit a new record, but it is doubtful that last year's high payout ratio will be maintained. As most financial analysts see it, the payout ratio should drop to the old level of about 55 or 56 per cent. If so, it's bound to disappoint a great many stockholders, and it could cause some ticklish problems for management later this year and next.

There are a number of reasons why payout ratios won't stay high.



For one thing, rates aren't changed on whim—even in the face of rising corporate profits. Many companies prefer to retain more earnings in flush years, to enable them to maintain payments in lean times. That's why they were able to keep up payments so well last year, and it is one reason why most corporations are likely to stick to their traditional policy.

In fact, history shows that the percentage of earnings paid out in dividends tends to drop sharply when earnings rise, since many companies prefer some sort of dividend stability. This pattern should hold true in 1959.

Corporations also are reluctant to hike dividends unless they are certain they can maintain the increase, even

Business Week (May 16, 1959), © 1959 by McGraw-Hill Publishing Co., Inc.

during a business slowdown. And since profit margins in general show no sign of a permanent change for the better, a number of companies won't boost payments until it is certain sales volume will keep up.

In making dividend decisions this year, managements will have to take a number of things into account—the price of their shares and what effect a change in rate would have; what competitors are doing with dividends; and the impact of a tightening money market on their borrowing costs. If a management thinks borrowing costs will take an unhealthy bite out of its reserve, it will maintain present payments.

Aside from the somewhat academic question of payout ratios, it's clear that corporate dividends in 1959 will break all records, barring a major business decline. The most optimistic reckon that dividends will reach \$13 billion, or perhaps as high as \$13.7 billion. Others are less optimistic, but no one doubts that record payments will be made.

Through the first quarter of 1959, corporations paid out \$3.1 billion, according to the Commerce Dept. That's 2.3 per cent higher than the corresponding figure a year ago, and 9 per cent higher than the first three months of 1957, a year in which total dividends hit a record of \$12.4 billion. Utilities, finance, and railroads account for most of the increase in dividends thus far, but analysts expect substantial upturns for oils as well.

The strong upturn in dividends is seen in statistics compiled by Standard & Poor's, which show that, through April, dividend increases and

resumptions outnumbered omissions and cuts in rates by almost 6 to 1. (A year ago, adverse actions outran dividend increases and resumptions by 1.4 to 1.)

S&P's figures, however, show the pace is easing. In April, for instance, fewer companies (70) increased their dividend than in any month this year—the high was 110 in February; fewer (32) handed out extras, and fewer (11) resumed payments. This indicates that management is taking a second look at the generous policy evident early this year.

Some financial analysts take strong exception to any apprehension on management's part. They feel that corporations showed courage in maintaining dividends last year, and they muster two positive reasons for a payout policy of, say, 60 per cent.

One is that corporate investment in new plant and equipment will be relatively light this year. Many corporations, already flush with cash, won't feel the pinch of hiking their dividends. The second is that corporations should care less about the percentage of earnings they pay out, and pay more attention to the ratio between dividend payments and total cash flow—retained earnings and depreciation. The latter, the analysts say, has now become more important in determining dividend payments, since these funds are a key determinant of future expansion.

However, these arguments are likely to fall on deaf ears. Most companies feel that dividend policy is an area in which they will brook no interference—not even from shareholders. Many are more intent on establishing a continuity of dividends

than they are in setting new patterns that they may or may not be able to sustain in the long run.

In view of the huge cash reserves that many companies have on hand, dividend policy takes on added meaning. It is probable that management will make more use of year-end extras this year than ever before. Some companies, reluctant to boost regular rates, partly because they don't know whether they can maintain them, are likely to hand out big extras this December. If they do, it will create new problems in 1960, because shareholders grow accustomed to extras and tend to count on them as part of their regular yield.

If they don't, it also will cause problems. Actually, a good part of

the decline in dividend payments last year was due to the fact that corporations didn't hand out their usual extras, much to the dismay of shareholders. So if corporations don't boost rates or pay out extras in the face of improving business this year, they'll be in for another round of criticism from shareholders.

Companies that still can't shake their fears of another business slump will continue to conserve cash by paying stock dividends. In fact, it already looks as if more companies will pay out stock dividends in 1959 than in any previous year. Of course, many of these stock payments will come in for harsh criticism. As one financial man admits: "You can't pay the grocery bills with stock." ♦

Dollars Down Under

WORKING IN RELAY-TEAM FASHION, Trade Minister John McEwan, a number of state premiers, and bebies of "promote Australia" delegations have been arriving in the U.S. in an attempt to lure American capital down under. While an occasional enthusiast among the promoters has exaggerated its attractions, Australia has a powerful case for foreign investors. Two attractions appealing to Americans:

- *A growing and prosperous domestic market.* Population, rising 2.2 per cent annually, will reach 12 million sometime in the sixties. In the last ten years, GNP has climbed from \$4.9 billion to \$13 billion, and factory output has increased nearly eightfold to \$10 billion.

- *Proximity to Asia.* Politically and economically stable, Australia is a safe home away from home for U.S. corporations interested in exploring the Southern Asia market.

The present extent of U.S. industrial activity in what is still a small country heavily reinforces the Australian bid. Some 880 U. S. firms are now doing business in the country, and Australian manufacturing subsidiaries have been established by some 200 firms, including four U.S. carmakers. The book value of this U.S. investment, which has been increasing each year by some \$70 million, now totals an estimated \$670 million.

—Fortune 7/59

A quick review of the strides that personnel administration has made in the past 40 years . . .

HUMAN RELATIONS: HOW FAR HAVE WE COME?

By Thomas G. Spates

Condensed from Management Record

HAS BUSINESS gone overboard on an expensive hobby called human relations? Or is there real substance to sound human relations? And does it eventually show up on the company's balance sheet?

In the past few years, modern personnel administration has come under fire from a number of business critics, who have been treating human relations achievements as though they were the work of medicine men and snake-oil peddlers. In answer to these critics, I would like to offer a balance

sheet showing the progress that has been made in personnel administration over the past 40 years. Compare the predominant patterns of 1919 with those of 1959:

We have progressed from employment by a casual crook of the finger to employment by personal interviews and tests that put emphasis on individual qualifications.

We have progressed from the quick once-over to thorough medical examinations for determining physical fitness for employment.

We have progressed from the "quick huddle" method of selecting supervisors to measurement of qualifications by scientific techniques.

We have progressed from merit rating by gossip to systematic performance review and appraisal.

We have progressed from using platitudes and generalities to using specific cases in developing problem-solving skills.

We have progressed from lectures and exhortations to participative conferences which encourage self-awareness and better interpersonal relations.

We have progressed from indifference and arbitrary discipline in the safety field to extensive educational programs, thus reducing the frequency and severity of industrial accidents.

We have progressed from guessing about employee attitudes to making periodic, objective surveys to get an accurate picture.

We have progressed from limiting job training to improving manual skills to executive development for improving administrative skills.

We have progressed from the bulletin board to the employee letter,

Management Record (November, 1958), © 1958 by National Industrial Conference Board, Inc.

audio-visual aids, and other new forms of communication.

We have progressed from turning a cold shoulder to treatment for emotionally disturbed employees to listening, counseling, even psychotherapy.

Finally, we have progressed from autocracy and paternalism to administration by consultation.

Today's personnel methods represent tremendous advances in concept, content, and administration. Have these advances come about because

business management has lost interest in making profits? If this were true, we would scarcely find such industrial leaders as Frederick R. Kappel, president of the American Telephone and Telegraph Co., saying, "We will do the best job, I am sure, when, and only when, every boss acts on the understanding that an indispensable part of his assignment is to do everything he thoughtfully and reasonably can to encourage the growth of his subordinates." ♦

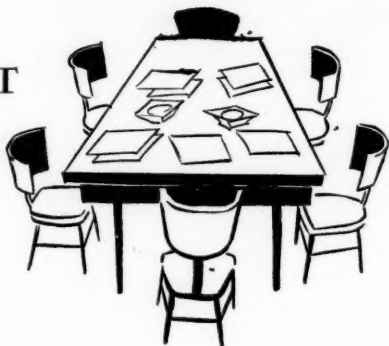
EDITOR'S NOTE: *This digest is the third of three papers representing different points of view on human relations that were presented at a National Industrial Conference Board meeting earlier this year. Digests of the other two papers appeared in earlier issues.*



"I'm not really malicious—I'm just a status seeker."

A SHARP LOOK AT BUSINESS MEETINGS

By Roy Pearson



Condensed from Think

MEETINGS have a place in any organization. How else can you hold the organization together? How else can you keep all of the constituents constituent? How else can you put reins on the tyrannical and bridles on the irresponsible? How else can you pool diverse resources, fan enthusiasm, or provide the encouragement which prevents individual initiative from starving in its unsupported isolation?

Nevertheless, it seems obvious that we have made a fetish of togetherness, elevated group dynamics to the status of a holy cult, and by insisting that every forward step be taken by a team, guaranteed that some of the most important forward steps will never be taken at all.

Some things can be done in groups—playing hockey, for instance. Other things are better done alone—writing a poem, for example. The men who delegate responsibility are not always aware that a distinction needs to be made in these matters, and they often display a remarkable suspicion of any-

thing that has an air of individuality about it.

Groups are seldom authentically creative. Creating is done by individuals, and when the group usurps the individual's prerogative, the result is almost always stultification. Democracy is not a synonym for mediocrity, but it is a rare group which does not move toward a common denominator that lifts the level of the relatively incompetent only by reducing that of the conspicuously able. Groups do not think: they merely accumulate thoughts; and since it is one of the main functions of the group to secure agreement, it is almost inevitable that the group will be destructive of the nonconformity from which most new advances emerge.

A second conclusion to be drawn from our many-meeting culture is that we are behaving like scared rabbits. In company with most such indictments, this charge is too inclusive to be strictly accurate, but as a general picture of the emotional climate in executive circles, the state-

Think (June, 1959), © 1959 by International Business Machines Corp.

ment stands the test. Moreover, it helps explain why the executive tolerates the unproductive meetings whose destructive effects he can recognize.

Some insecurity of this nature is quite clearly related directly to our associates. The higher the hierarchical ladder goes, the narrower it becomes. We want to keep climbing, but so do our associates. Liking them as men, we distrust them as competitors, and a meeting seems a small price to pay for keeping tabs on them, finding out what they are up to, and preventing them from surging too far ahead of us without our knowledge.

But much more of the insecurity is rooted in distrust of ourselves. We have capacities, but we have never quite defined them, and secretly we place less faith in our own originality than in that of our competitors in the company.

If fears of this kind account for much of our defensive huddling together in the business world itself, they account for even more of our subservience to community pressures outside the company. It scarcely needs to be said that an executive will have many proper reasons for taking part in the clubs, welfare groups, and other organizations of the city or town where he has his home, but there is far greater necessity to point out that a great deal of his community service is no more than self-serving. In part, such activity is the conscious effort to further the ambitions either of himself or of his company, but in even larger part, it often stems from his unconscious hunger to find support for his belief in himself. His service derives not from his strength, but from his weakness. He

joins organizations and accepts their offices for the same reasons that the Indian tied the settlers' scalps to his belt or the western gunman carved notches in his gun: his memberships and titles give visible proof of a competence that he never trusts sufficiently to take for granted. He supports the right causes for the wrong reasons. In fact, the truth is less that he supports the cause than that the cause supports him.

A third conclusion to be drawn—and this will probably be even less popular than the others—is that we are selling our souls for messes of pottage. This is not to say that the life of the business community is not desperately important to ourselves, to business, or to the nation at large. Nor is personal ambition always to be deprecated.

The claim is often made that conformity to the feverish madness of the many-meeting culture is the only way to get ahead, but it is a justifiable query whether the prize is worth the price and, even more essential, whether the contemplated process is really getting ahead. The modern executive is not the first man to gain a world by losing his soul; and if we so run that we never rest, if we so talk that we never think, if we so exist that we never live—the result can hardly be an asset to ourselves or, for that matter, to the businesses we serve.

It is becoming increasingly easy to have warm sympathy with the late Dean Hodges' comment when he was told that heaven was a place where there would be no partings. What he wanted, he said, was a place where there would be no meetings. ♦

Some plants are wasting as much as 75 per cent of their maintenance labor for lack of proper planning and scheduling . . .

SOME TIPS ON PLANT MAINTENANCE

Condensed from The Iron Age

EVEN small improvements in planning, scheduling, and executing plant maintenance functions can bring big savings.

The first step in achieving these economies is to know what your present maintenance program involves and what it costs. The record needn't involve a lot of clerical work, but it should tell you which equipment has a high proportion of maintenance

cost and downtime, and it should show the over-all extent and status of various inspection and repair functions.

Good planning involves writing up step-by-step procedures for inspecting and maintaining equipment. These written standards should also designate the tools required for each step and the length of time each job should normally take.

The scheduling phase of the program determines when maintenance should be done, and in what sequence. The object is to make full use of maintenance personnel, minimize overtime work, and prevent equipment downtime. Lack of a detailed schedule causes many plants to waste as much as 75 per cent of their maintenance labor.

How much maintenance work can you schedule profitably? It varies somewhat, but in most companies it can be 80 to 90 per cent of the total. The company struggling to maintain profits should probably limit preventive maintenance to machines that will seriously affect production or safety if they break down. Another cost-cutting tip: schedule only those jobs that have mandatory deadlines for completion; other work can be kept as a backlog to fill unexpected slack periods.

Effective work authorization is essential to keep scheduling on an efficient, economical basis. Every order for jobs that will run over \$50 or so should show the estimated cost and why the job is necessary. This discourages the flood of personal-favor requests that plague many maintenance departments. It is very hard for a maintenance superintendent to

The Iron Age (May 21, 1959), © 1959 by Chilton Company.

turn down an executive who outranks him. But a work-authorization system exposes such requests.

In addition, work authorization orders pinpoint other nonmaintenance jobs that are being performed, such as the making of tools and furniture that should be purchased or work on capital improvements that should be handled by outside contractors. Maintenance suffers when the staff has to take on these extra duties.

Proper maintenance supervision can also save you money. It is much harder to supervise maintenance personnel than to supervise direct workers. Because maintenance is plantwide, supervisors need a clear understanding of every phase of production, plus a wide variety of skills.

In some plants, supervision is spread too thin for effective control. But more supervisors are not always needed. Quite often, a better telephone system and a better routine will let existing supervision cover more ground.

Better maintenance procedure—the details of actually getting the work done—is still another fertile area for savings. Many companies study their routine jobs to find the easiest, fastest, most efficient ways

to handle them. Maybe certain maintenance work can be mechanized. Spray-painting equipment, steam cleaners, industrial vacuum cleaners, centralized lubrication systems, and many other devices can often reduce costs and do a better job. Permanent catwalks, hoists, and ladders may also be wise investments for routine maintenance; it takes time to carry and set up portable equipment.

New products can be keys to maintenance savings, too. New and improved lubricants, protective coatings, cleaners, paints, and equipment items often provide a basis for improved methods.

And don't discount creativity and imagination applied to the maintenance function. Sometimes the operation of a machine can be vastly improved with no more effort than would ordinarily go into its repair.

Current rewards for good maintenance will become much larger in the next decade as automatic manufacturing becomes more prevalent. Under automated conditions, the largest items of cost affecting profits will be maintenance and downtime losses. Obviously, now is the time to start thinking about maintenance efficiency and economy. ♦

THE FINE ART of executive decision consists in not deciding questions that are not now pertinent, in not deciding prematurely, in not making decisions that cannot be made effective, and in not making decisions that others should make.

—Chester I. Barnard

BRIEF SUMMARIES

of other timely articles

GENERAL

THE TAXES CLOSEST TO HOME. By Robert Lubar and Charles E. Silberman. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), June, 1959. \$1.25. Taxpayers are shelling out \$46 billion in state and local government taxes for 1959, but without any change in the rate or method of taxation, the amount collected in 1970 will be \$18 billion short of the amount needed, according to this article. Increased federal aid is expected to make up part of the deficit, and the author suggests three basic reforms to take care of the rest: First, broad-based taxes should be levied on personal incomes, corporation profits, and retail sales by states that lack them; second, a more realistic assessment of real-property values should be made; and finally, a uniform code of business taxes should be adopted to do away with nuisance taxes, among other inequities.

21 WAYS TO SAVE TAXES ON YOUR INVESTMENTS. By James Noone Connolly. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), July, 1959. 75 cents. Use any of the 21 suggestions contained in this article before the year end and you will save on your investment taxes, according to the author. Included are tips on deferring losses to a different year when there are long-term gains involved; deducting premiums and commissions in connection with a short sale; making sales to offset short-term gains by effecting short-term losses; and determining the holding period, capital loss, and market value on securities acquired by gift.

SOVIET PLANNERS BOOTLEG WESTERN-STYLE ECONOMICS. *Business Week* (330 West 42 Street, New York 36, N. Y.), June 13, 1959. 50 cents. Rewriting or suppressing Marxist dogma, Russian economists are reconstructing their country's economics along the lines of the most modern Western analytical concepts, reports Professor Wassily Leontief of Harvard, on his return from lecturing in the U.S.S.R. on econometrics, input-output, and interregional analysis. He points out that advanced mathematical techniques developed in the U.S. and Western Europe are ideally suited to national planning in the Soviet Union, where they may soon be used for the scientific allocation of capital, natural, and human resources to attain national goals.

BUSINESS AND POLITICS. By Dan H. Fenn, Jr. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1959. Reprints \$1.00. When it comes to the question of participation in politics, businessmen aren't practicing what they're preaching. That's the gist of a survey of 2,700 executives made by *Harvard Business Review*, in which almost all respondents declared that businessmen should be more active in politics, but only one fourth said they had personally worked in a political campaign during 1958 and only half said their firms were involved in political affairs in any way. Size of company, according to the survey, was significant in two respects: (1) the larger the company, the greater the concern for maintaining friendly relations with

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elected officials, and (2) the smaller the company, the greater the latitude in defining what constitutes propriety for a politically active executive.

HOW TO SELL YOUR IDEAS. By Leon S. Gold. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), May, 1959. 50 cents. For the executive who wants to get the cooperation either of his superiors or of his subordinates, the author explains the principles of persuasion and recommends a film entitled "What Would You Say," which contains answers to "killer phrases"—common objections encountered in trying to get agreement. An excerpt of dialogue from the film is given, analyzing line-by-line use of the techniques, which include open questions ("How do

you feel . . .") to invite a true expression of opinion; reflection (rephrasing what the other person is saying); and directive questions (requesting expansion on a particular point).

WHY FORECASTS FAIL. By James T. Jensen. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), August, 1959. 75 cents. Forecasts are useful tools to help management make better decisions, but they aren't infallible. This article describes some of the reasons forecasts go wrong—among them, lack of understanding between forecasters and managers, problems that require judgments and premises on the part of the forecaster, and the growing complexity of forecasting techniques.

INDUSTRIAL RELATIONS

INDUSTRY'S LEADERS FACE THE LABOR CHALLENGE. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), July, 1959. 75 cents. This survey of members of the *Dun's Review* Presidents' Panel, which includes the chief executives of 175 U.S. industrial corporations, reveals their attitudes on such subjects as the bargaining mood (no compromise on management's "right to manage," and stiff resistance to increasing fixed costs); the cost-price spiral (presidents expect that new contracts will raise labor costs by 4 per cent, anticipate a 2 per cent price rise); productivity gains (should average 10 per cent by 1964, with gains as much as 40 per cent foreseen by some); fringe benefits (companies will resist demands for more fringes, but 56 per cent see costs rising 1 to 3 cents an hour); and union leadership (improving, say most of the respondents, but some deplore growing union militance).

A REVIEW OF WORK STOPPAGES DURING 1958. By Ann James Herlihy. *Monthly Labor Review* (U.S. Government Printing Office, Washington 25, D.C.), June, 1959. 55 cents. Of the 3,964 work stoppages due to strikes and lockouts in 1958—substantially more than in 1957, but relatively low compared with post-war levels—21 of them resulted in a loss of almost 11 million man-days, or about 45 per cent of the total idleness recorded for the year, according to the author. Major reasons for the stoppages are attributed to disputes over wages, hours, and supplementary benefits (involving two-thirds of the workers and accounting for three-fourths of the total man-days of idleness), while disputes over other working conditions, such as job security, shop conditions, policies, and workload, involved about 25 per cent of the workers and accounted for 15 per cent of idleness.

MARKETING

SURVEY OF INDUSTRIAL BUYING POWER. *Sales Management* (630 Third Avenue, New York 17, N.Y.), July 10, 1959. \$2.00. This third annual issue

devoted to industrial marketing offers two useful tools for measuring industrial markets: (1) estimates of employment and plants by county for each of

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the nearly 450 four-digit Standard Industrial Code industry classifications; and (2) estimates of employment and shipments for 1958, which the editors believe will come close to the results of the 1958 Census of Manufactures whose release is scheduled to start at the end of the year. In addition, this special issue includes articles on how advertisers can use the SIC, 20 points to check in plant location, and a discussion of the old and new SIC classifications designed to help users make the transition from the old to the new codes.

THE CHALLENGE OF TOMORROW'S

MARKETS. By Philip M. Hauser. *Journal of Marketing* (27 East Monroe Street, Chicago 3, Ill.), July, 1959. \$1.75. In presenting information essential to the planning of any major marketing program, the author points out implications for the businessman in trends in national population, households, income, metropolitan population structure, birth and death rates, labor force, and ethnic composition. Some significant developments predicted by 1975: (1) the addition of from 65 to 95 million Americans; (2) a household unit increase of

from 45 to 55 per cent; (3) the doubling of the Gross National Product; (4) an increase by over three-fourths of persons 65 and over; and (5) the emergence of Negroes as a much more important part of the urban market.

KEY TO MORE DYNAMIC SELLING.

By George P. Butler, Jr. and Alfred B. De Passe. *Nation's Business* (1615 H Street N.W., Washington 6, D.C.), June, 1959. Reprints 15 cents. An incentive sales program can be effective only if it produces a dollar's worth of selling strength for every dollar of cost, say the authors, who provide a five-point design test to determine whether a sales incentive plan is efficient, together with a procedure for evolving a new plan if it is not. Pointing out that incentives should vary according to particular needs, they include several case histories, including one of a company that set up a flexible quota-point system that enabled them to award points to salesmen in their eastern territory for selling to new dealers, while western salesmen were awarded quota points for selling a new product line that was already moving well in the east.

PRODUCTION

BETTER DECISIONS ON MECHANIZING.

By Gerald E. Johnson. *Factory* (330 West 42 Street, New York 36, N.Y.), July, 1959. Reprints gratis. Twenty or more years ago, the author says, our present costing systems might have given us a fair picture, but techniques for determining and comparing costs have not kept pace with changes in manufacturing. In this article, he outlines a system that will enable the plant manager to make better decisions on mechanization by providing him with a proper base for burden costs, a communication system that will put all necessary cost elements into the hands of people who will have to use them, and a means of getting the right measure on individual cost elements, illustrating his points with numerous case histories.

GETTING THE MOST FOR YOUR MAINTENANCE DOLLARS.

By Melvin Mandell. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), July, 1959. 75 cents. U. S. industry is wasting an estimated 25 per cent of its annual maintenance budget, according to the author, who reports on a survey of what 171 plants throughout the country are doing to get more from their maintenance dollars. Among the findings: Many plants are revising the organizational set-up of their maintenance department to improve its operation; close to 50 per cent of the big companies, but few medium-sized companies and no small ones, are experimenting with operations research and other mathematical techniques to improve operations or reduce maintenance

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material inventories; most companies are employing contract maintenance services to handle specialized jobs and peak loads; most companies are specify-

ing higher quality construction materials for new or expanded plants; and more and more companies are attempting to set work standards for maintenance.

FINANCE

MORE REASON IN SMALL BUSINESS FINANCING. By Paul Donham and Clifford I. Fitzgerald, Jr. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1959. Reprints \$1.00. In appraising the potential of the Small Business Investment Act of 1958, this article examines (1) facts about the commonly assumed shortage of capital for small business; (2) kinds of capital needed and by whom deserved; (3) problems and pitfalls confronting Small Business Companies recently authorized by Congress; (4) extent of help proffered by the Act itself; and (5) the role of small business companies in the future. Maintaining that legislation will not still the cries of the many small businessmen who claim they cannot secure capital, the author warns against government interference in the American system of free enter-

prise—which also includes the right to fail.

7 STEPS SHARPEN DOLLAR DECISIONS.

By Ronello B. Lewis. *Nation's Business* (1615 H Street N.W., Washington 6, D.C.), June, 1959. Reprints 10 cents. The project might be a research expenditure, a capital expenditure, or simply the replacement of old equipment: Every businessman faced with making decisions on such proposals is a financial analyst, good or bad, and must define the relationship of profit to investment, according to the author. Providing a seven-point checklist, he analyzes the steps in determining the best course for profitable action, which involves measuring the difference between present and projected investment and between present and projected profit to arrive at the resultant rate of return.

FOREIGN OPERATIONS

THE MIGRATION PICKS UP SPEED. *Business Week* (330 West 42 Street, New York 36, N. Y.), August 8, 1959. 50 cents. At least 3,000 U.S. companies had, at a conservative estimate, invested some \$28 billion in foreign production and distribution by the end of last year, and the results of a recent survey indicate they will be investing much more in 1959-60, with the lion's share going to Western Europe. Providing a breakdown by industry of actual and planned foreign capital expenditures by American companies, this article examines reasons for the accelerating trend toward foreign operations and investments, some of which are the lure of cheaper labor, easier access to raw materials, convenience to markets, tax advantages, and circumvention of tariff barriers.

ANYTHING CAN HAPPEN WHEN YOU START TO SELL ABROAD. By James Seaman. *Sales Management* (630 Third Avenue, New York 17, N. Y.) July 17, 1959. 50 cents. Although the mechanics for building an organization abroad are pretty much the same as they are here, there are several essential, basic differences between American and foreign markets, says the author, who gives cogent advice for successful overseas operations. In addition to predetermining market size and the product quality and style required to serve the market, overseas sales management must look for and adapt to differences, maintains the author, citing as an example Chas. Pfizer & Co., whose philosophy, "To go international . . . go local," has been used by that company in 100 countries.

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What Makes People Buy?

(Continued from page 8)

motivation research is to give it a novelty tag—a disrepute through new arrival—that it doesn't deserve. The great majority of its principal ideas and methodology stem from many social sciences: psychology, psychoanalysis, social psychology, cultural anthropology, and sociology—disciplines that were well developed decades ago.

SOMETHING OLD, SOMETHING NEW

A new laundry in Europe enlisted a psychologist to help it get customers. Apparently, the women of the city did not want to send out their laundry, and the motivation researcher was asked to find ways to overcome their resistance. His study indicated that some would not use the new facilities because they felt they would be deprived of some prerogatives as mistresses of their households. And those who had become customers of the new laundry hadn't been influenced by advertising or personal advice from another housewife, but primarily by emergency situations. When children were sick or unexpected house guests came to visit, a housewife was likely to send out her laundry, just for the duration of the emergency. In many cases, however, she was "hooked" as a permanent customer, because the relief from drudgery caused a permanent change in habit. The laundry's manager acted on the findings by sending a sales letter to every household where a member of the family had just died—and the laundry business picked up.

This motivation research study wasn't carried out last year or the year before. It was conducted in 1930 by Dr. Paul F. Lazarsfeld, an instructor at the University of Vienna, who called it the "psychological approach."

Dr. Lazarsfeld, founder of the Bureau of Applied Social Research at Columbia University, points out that much of the theory and some of the techniques of motivation research were in use before World War II. In 1935, in fact, he wrote a chapter on motivation research for a textbook issued by the American Marketing Association. And, although there are greater understanding and better techniques today than 20 years ago, Lazarsfeld points out that "no basically new ideas have emerged in recent years."

Here's another example of "something new" that had its equivalent in the 1930's:

"Just compiled, here are data covering a prime area of marketing never before fully explored . . . data that promise to open new, exciting avenues for more effective advertising and selling." This is the very recent claim made by *Steel*, a prominent weekly in the metalworking field. A depth study of emotional factors in industrial buying conducted for the publication proves that the industrial buyer is as beset with emotional complexes as his consumer counterpart—and the emotional factors underlying industrial purchasing decisions can be used by those who sell to industry. Sellers can "gear marketing and promotion strategy to the needs, fears and aspirations of metalworking managers." This study concluded that: (1) The industrial buyer is more human in his buying habits than industrial marketers realize; (2) needs for products and services exist everywhere in industry, but industrial marketing is not doing a sufficiently creative job in changing them to wants; and (3) to the extent products and services become more objectively alike, the buyer's final decisions are based more and more on emotional factors.

THE "PSYCHOLOGICAL APPROACH"

There is every reason to believe that many of these conclusions, heralded as 1959 discoveries, were known decades ago as the result of "psychological approach" investigations of industrial selling practices. In 1935, Dr. Donald Laird described some of the irrational elements surrounding purchasing agents' decisions. He pointed out, for example, that extra discounts are sometimes insisted on by a purchasing agent, not because he thinks the vendor is making too wide a profit, but to enable him to bolster his own ego by telling his boss how he beat the firm down. "He wants sacrifice buys, in other words, to show his superior how good he is. If the salesman can give the purchasing agent some basis other than price to show his chief how good he is, there will be fewer profitless large-scale transactions. And if the purchasing agent could not run to tell someone about what a good deal he had made, he would be as unhappy as an honest horse trader."

Certainly, motivation research has enjoyed growing popularity in recent years, and progress has been made in the use of MR tech-

niques. But not everything that comes under the heading of motivation research is as brand new as we might think.

WHAT IS MOTIVATION RESEARCH?

Just what is motivation research? This question isn't as easy to answer as it seems at first blush. In fact, one recent survey indicates that practitioners and users consider an acceptable definition one of the most serious problems in motivation research, second only to the actual validation of MR techniques.

Two studies have revealed that the educated business public is fogbound in understanding MR. What marketing research is to be included, and what is to be left out? In the summer of 1958, *Tide* magazine asked its panelists (representing many of the country's top advertisers and agencies) what they understood MR to be. Only 5 per cent claimed they "understood MR thoroughly;" 76 per cent said they "knew something about it." The remainder admitted very little knowledge (and a few gruffly barked that they "simply couldn't care less").

In a study conducted by a business research group at Long Island University, 74 per cent of advertising men and 88 per cent of research men stated that top personnel in their own fields had no "understanding" of the very tools they were expected to employ. They could not advise their clients on the use of MR, nor judge the correctness of its results, nor distinguish between the assortment of MR techniques available, nor effectively interpret the findings.

Bearing in mind, then, that we aren't likely to develop a definitive description of motivation research, we can at least come up with a couple of working definitions that will clear the air a bit. For a start, here's a rather broad one:

Motivation research is a special type of marketing research that concentrates on developing new concepts in all phases of business through the use of theories and practices, adapted from the behavioral sciences, that are concerned with the nature and development of the human personality and the social forces that act upon it.

In the light of the many different areas in which MR practitioners work, this is probably as good a definition as any. Most MR

studies are not limited to one particular business question or area, as conventional market research is likely to be; they are frequently concerned with a broader area, although they often come up with interesting insights and implications that can be applied to a specific product or company.

A simpler definition, but one that is probably just as useful for ordinary purposes, might sound like this:



Motivation research is a type of marketing research that utilizes depth interviews and indirect testing techniques to find the reasons why consumers behave as they do.

In his book, *Modern Market Research*, English marketing researcher Max Adler cites a survey of the methods used by MR practitioners in the United States. Depth interviews and group interviews were mentioned by 40 per cent of these MR men, and all agreed that indirect or projective techniques are the most efficient tools of their trade.

PROJECTIVE TECHNIQUES

What are these indirect or projective techniques, which play such an important role in motivation research? They take many different forms, but all are, in essence, "disguised" tests; that is, the respondent is not fully aware of the meaning of his answers. Many projective tests are so prepared and administered that the respondent is not asked what he himself thinks, does, or wants; instead, he is asked to describe what *someone else* might think, do, or want in a hypothetical situation. People readily project their own feelings, wishes, impulses, and needs into such "third-person" situations.

In all indirect tests, there are no "right" or "wrong" answers; they are designed to permit a trained researcher to gain an accurate

view of the respondent's real attitudes, unhampered by his defensiveness, self-consciousness, or fears, and without interference from his self-image—which might otherwise cause the respondent to alter his replies to suit his own mental picture of himself.

Here is a brief listing of some of the most widely used indirect or projective techniques:

- **Sentence Completion**

The respondent is given free rein to finish a group of incomplete sentences ("Women are . . ."; "I suffer from . . ."; "At night . . .") in any way he wishes.

- **Word Association**

The respondent is asked to give an immediate reaction to a word describing the product or the brand name, in several sentences or in one-word replies.

- **Narrative Projection**

A hypothetical situation is drawn up for the respondent to comment on: "A man has just bought a car. He asks his friend what he should do about getting insurance for it. What does his friend tell him?"

- **Picture Frustration (PF) and Adaptations**

Two characters in a cartoon strip usually involved. One says something that causes conflict in the other. An empty balloon permits the respondent to write in the feelings of the second character.

- **Free Association to Symbols**

The trademarks of competitive companies (such as those of gasoline suppliers) are shown to respondents on cards. They're in full detail, but the brand name has been eliminated. The subject is instructed to blurt out the first thing that comes to mind. (A modification is an assisted type of association in which the respondent is asked to match up attributes—friendly, weak, messy, modern, etc.—with the appropriate symbol.)

- **Story Association Test**

Symbols of competitive brands are spread out in random fashion before the respondent. He listens to a story (about Boy Scouts, a sports team, a yachting situation, a community chest situation, etc.) and is asked to pick up the symbol that is most relevant to that particular story. Then his reasons are sought. This test provides further near-spontaneous material on the meaning of the symbol to the subject. Other techniques are used to test brand-relevance, symbol preference, and symbol recognition.

- **Description of Others**

The respondent is asked an open question, such as: "Think of a friend who is a very good driver. What kind of a person is he (she)?"

- **Thematic Apperception Test Adaptations**

The respondent is shown a drawing of anonymous characters engaged in an everyday situation involving the sponsor's product. He is asked to tell a story about it.

- **Shopping List**

The respondent is given a shopping list with a new, different, or unusual item (such as instant coffee) included. He is asked to give his opinion of the shopper who would buy these items.

- **Error Choice**

The respondent cannot choose the right answer; among the two or more possible answers, there are no correct ones. This test is used to make clear any basic, consistent trend in his personality, either radical or conservative.

- **Rorschach Test**

The famed ink-blot test. The forms are irregular masses into which the respondent reads his own meaning and thus reveals what's on his mind and gives indications of his basic personality structure. This is generally used in its clinical form, with few direct commercial adaptations.

Let's take a look at how one motivation researcher uses the tools of his trade to find the answers he's looking for. One of the largest MR firms in the country begins by formulating a clearly defined frame of reference within which the specific problem falls. To do this, researchers spend several weeks accumulating all possible data from the fields of folklore, cultural anthropology, sociology, psychiatry, and psychology that might be relevant to the assignment. From this data, they develop a tentative schedule of the areas to be covered, and this schedule is used to guide interviewers in obtaining about twenty clinical case histories.



Based on the knowledge that has been thus acquired, a revised schedule for the full-scale clinical studies is then developed, and 200 to 300 persons are interviewed on a national scale. After this portion of the study has been completed, an indirect type of test, using techniques that vary from the thematic apperception test to psychoanalytic techniques, is developed and administered to 300 to 500 respondents. The data is then

collected and analyzed by the study director to determine its meaning and business implications.

It has been pointed out that there may be a difference between scientifically "true" meanings and those that can be acted upon by the businessman. But many motivation researchers are trying to interpret the results of their studies so that they will be usable by sponsoring companies and will offer practical suggestions as well as theoretical speculation.

MOTIVATION RESEARCH AT WORK

This, in general, is how one motivation researcher operates. Others may use different techniques or approach their problem somewhat differently, but the principles involved are essentially the same. Here are a few examples of some of the jobs MR practitioners

have tackled, how they went about their tasks, and what results they achieved.

State Farm Automobile Insurance Company

In 1954, State Farm Mutual Automobile Insurance Co. embarked on a two-part marketing study to meet the competition it was feeling from a large competitor. Its advertising agency undertook both a regular market survey and a psychologically oriented study to get information that would help management decide on its basic selling and advertising strategy. Should it be changed? If so, to what—and why?

The marketing survey yielded important information to the company. For instance, it revealed that State Farm's low rates were not so generally known as company executives assumed. It proved that it was the man in the family who made the decision as to the purchase of insurance, and that half of those who let their car insurance lapse did so because they did not have ready money when premiums came due.

Important as State Farm executives considered this information, they found the psychological study even more impressive. It pointed out clearly what the company should say in its ads to attract new clients and at the same time hold the old ones. Among the general findings were these: Insurance is fatherly—the insured can depend on his company in case of trouble; insurance is a threat—taking out a policy is an admission of anxiety and a recognition that the world is dangerous; insurance is a ritual—many feel that buying protection may work like a magic amulet and prevent trouble; insurance gives control over the future—by being prepared, one makes it possible for plans to go on; insurance is begrudged—frequently nothing happens and the insured feels he's wasting money.

The psychological study also revealed that people select an automobile insurance company by using two criteria: (1) large size, and (2) a favorable reputation among one's friends.

These and other psychological findings might well apply to all insurance, but they were available for State Farm to translate into immediate action. A new advertising approach became the basis of a \$2 million campaign that stressed the company's low rates and tried to provide prospective customers with strong assurances, includ-

ing a strong element of emotional support. Also on the basis of the study, agents and claims adjusters were trained in human relations to deal more effectively with clients.

Although the insurance company's staff had anticipated at the beginning of the research that the more practical results would come from the market survey, they later recognized the greater business significance of the motivation research study. MR findings may sometimes apply to whole industries, but the sponsoring company can usually learn things about itself or use the general knowledge obtained in a way that brings results primarily to itself and not to its competitors.

The Pan-American Coffee Bureau

The Pan-American Coffee Bureau had sponsored many market survey studies to learn the buying habits and attitudes of Americans to the South American bean. In 1955, it called in a prominent motivation research firm to throw some new light on its promotion efforts. The researchers prepared an 11-point inquiry into the motivational areas most likely to yield understanding of American demand for coffee, the possibilities of increasing it, and the effectiveness of the Bureau's advertising and the "coffee-break" theme it had been using.

Depth interviewing was conducted in two waves. The first 36 interviews were designed to permit maximum free association of thoughts surrounding the subject of coffee. Specially trained interviewers egged on the respondents and caught (often on tape) verbatim accounts of what they associated with the appearance, smell, and taste of coffee. For an hour or so, subjects spied forth their coffee thoughts: how they felt about a cup of coffee, before and after they drank it; kinds of coffee they had tried; coffee-drinking times; accounts of "the best cup of coffee I ever had in my life"; attitudes toward children drinking coffee; and so forth.

In the second wave of 92 interviews, spontaneity of response was also encouraged, but the interviewers followed a guide of specific areas to be covered. Since these interviews covered only a rough sampling, a questionnaire with direct and projective questions was devised and administered to 200 people to quantify the results. Because of the knowledge gained from the motivation interviews,

researchers were able to ask more acute questions than those used in a typical marketing research questionnaire.

In addition to these measures, taste tests were conducted on 128 respondents living in four regions of the country. Tests on 11 of the Bureau's *Life* and *Saturday Evening Post* ads were also administered to 217 respondents.

The detailed report that followed concluded that coffee had to be "rediscovered as an exciting beverage" in order for demand to pick up. Among the recommendations made: Change the public image of coffee from an unhealthy beverage to a positive, life-accepting product; make it catch up with cultural changes (more gracious living, enjoyment of sensory pleasures, expression of personality, etc.); be permissive in advertising approach, not authoritarian (e.g., stop telling people how many tablespoonfuls of ground coffee to use per cup of water).

The Pan-American Coffee Bureau took the advice, stopped pushing the "coffee break" in its ads, and switched to adventure and glamor themes. An iced-coffee campaign was launched to recoup at least some of the \$100 million lost by the industry during the summer months. The Bureau prepared a coffee recipe book, *Fun With Coffee*—"100 different ways to enjoy America's favorite beverage"—which was used as a premium (a clipped-out ad plus a quarter). One official summed up the value of the MR study: It was "an imaginative study representing a very important new approach."



Automobile Advertising

In 1954, the *Chicago Tribune's* Research Division made available an MR study conducted by an outside research group, showing how automobile advertising might be made more effective. Why do people buy one brand over another? What is the role of advertising in making the car sale? Mr. Pierre Martineau, the *Tribune's* research director and a veteran of some 30 MR campaigns, wanted to know

why sales of a specific company's automobile didn't go up in proportion to the increased readership of its advertisements.

Accordingly, the motivation researchers took out their depth-interview hand manuals, and their projective techniques anthology and set out "whying." Two- to four-hour depth interviews without arranged questions were the preliminary; later interviews used patterned questions to check specific points.

The 97 pages of findings showed that the value of a car as a practical means of locomotion was unquestioned. But many purchasers were not interested in economy or value, and most had no interest in the complex technical "guts" of cars. The car—as this study stressed, and others echoed—is a symbol of social status and a means of expressing the individual's personality. Some cars are more appropriate for certain groups than others; the purchase of a car was described as the "interaction between the personality of the buyer and the personality of the car." The three lower-priced cars were found to have specific popular images: Chevrolet—sales leader, stable, responsible, excellent value, reasonably attractive; Ford—most distinctive, fast, flexible, rugged, young, for many social groups; Plymouth—conservative, inexpensive, dependable, small but neat, a bargain, sensible, neutral styling.

The MR firm's primary recommendation was that auto ads should include the car's personality as well as appealing to the basic motivations for car ownership. Appearance (styling and design) should not be pushed exclusively in advertising, but combined with the popular stereotypes of dependability, performance, durability, economy, and safety. Advertising should be planned in terms of over-all governing conceptions of the car, rather than in terms of single appeals.

A more recent research project that also dealt with automobile advertising was a depth study conducted among 83 consumers in New York, Chicago, Philadelphia, and Boston—an admittedly small sample. (This research firm feels there is no need to perform a quantification job, which should be done, they believe, by a statistical firm that can bring more objectivity to bear.) The conclusions indicated that auto advertising is an "emotional flop"—and that most auto buyers feel that ads are dishonest, misleading, doubletalk, or "saying the same thing." This lack of believability may well be

a result of the cars' failure "to meet emotional expectations caused by mental rehearsal of ownership" after reading auto ads.

Perhaps realization of their failure to convince ad readers on the emotional level is behind the current trend to giving more and more rational arguments in automobile advertising. The economy-theme success of the Rambler, the effective penetration of the American market by more and more small foreign cars, and the decision of the Big Three domestic manufacturers to come out with a "compact" car—all this may indicate that, if manufacturers can't prosper on dreams and status-giving chariots, they're going to try to succeed by giving the consumer some rational reasons why he should buy a new car in 1959. (Even Rolls Royce has embraced "economy.") The themes of economy, durability, and handling ease may give the consumer just the rational encouragement he needs.

CRITICISMS OF MOTIVATION RESEARCH

Despite the increasing popularity of motivation research and the growing ability of practitioners to apply its techniques, however, MR still faces some difficult problems—and some pretty heated criticism of its methods and intent.

Validation of MR Results

One of the greatest problems at present is validation of MR results. An Advertising Research Foundation survey found that this problem is the one most people interested in MR would like to see resolved. The well-reputed Motivation Research Committee of the A. R. F., headed by Dr. Herta Herzog of McCann-Erickson, has been working for years on the task of formulating the method of attack. As a means of furthering the work of the committee, A. R. F. has already awarded several research grants to investigators in this area.

One study just completed under this grant-in-aid plan is that of Dr. Jennifer S. Macleod, who tried to obtain an indication of the value of sentence-completion tests and direct-attitude questions in predicting the content of appealing advertising copy. Her findings, however, were negative; that is, "men who in their sentence completions expressed a favorable attitude toward *conservatism* in cars showed a slight tendency to select car copy that *avoided* any promise

of conservatism." She concluded that the study "may cast doubts on the value of both the sentence completion and direct question techniques in predicting the kind of content that will appeal in advertising copy."

When Dr. Lazarsfeld reviewed the difference between the "psychological approach" of the 1930s and mid-century motivation research, he concluded that great progress had been made in this field of indirect questioning. This "progress," however, is not so readily accepted by many others, who point out the results of follow-ups on prognostications based on projective techniques. For instance, these tests failed to predict which members of a group of clinical psychologists would graduate and pass their licensing examinations. They also failed in picking out men who would make the best pilots. Even the best clinical projective techniques show a questionable correlation between the inferences made by the analyst and the respondent's overt action.

On the other hand, Professor Joseph W. Newman of Harvard makes an important distinction between clinical validity of standard psychological tests and their adaptations as used by many commercial motivation researchers: "Comprehensive projective tests of personality, in their clinical versions, thus far have had very little use in marketing research. . . . [Adaptations of these clinical tests] have been used for much less ambitious purposes than that of serving as a single basis for predicting behavior. . . . The usual practice has been to combine a number of these adaptations with still other approaches and to draw conclusions after examining all the data obtained rather than to rely on that produced by a single technique or question."

When projective techniques are used in this fashion, the question of their clinical validity would seem to be a much less imposing obstacle than critics of MR would have us believe. As Harry Henry, London office research director of McCann-Erickson, has pointed out in his recent book, *Motivation Research*, we shouldn't throw the baby out with the bath water. Although many criticisms of MR (low validation, poor or no sampling, "unscientific" bases, incompetent interviewers, confused interpretations, etc.) may sometimes be justified, MR nevertheless "gains deeper insight into why people behave as they do, and how best they can be persuaded to behave differ-

ently." And it undoubtedly makes for some very effective advertising.

Nevertheless, these problems are receiving more attention from the motivation researchers themselves. They'd give a platinum eye tooth to be able to concoct projective techniques that they could prove to have a high correlation with consumer behavior.

Manipulation and Hidden Persuasion

Obviously, motivation researchers aren't working just to satisfy their own curiosity. Their findings—and often their recommendations—are eventually translated into action designed to influence people to buy. This aspect of MR has given rise to another type of criticism: the charge that practitioners of MR are so efficient that they "manipulate" the consumer, and that such manipulation or "hidden persuasion" is dangerous and immoral.

John Dollard of Yale, in a talk before the Advertising Research Foundation a few years ago, pointed out that, while social critics tremble at the power of advertising, business managers are seriously wondering whether it is really delivering value for the money.

Of course, this is an oversimplification. Managers may doubt that they're getting maximum efficiency for the ad dollar, and certainly there is room for improvement in advertising, as in every phase of business. But there are few Americans who doubt the over-all effectiveness of advertising. Perhaps the power of advertising is the reason why there is a very real fear in many quarters that MR, or the highly touted subliminal advertising, can either (1) force people to buy what they can ill afford or don't want, or (2) not only manipulate people's purchasing decisions, but their political and private lives as well.

This fear is well illustrated in the Long Island University study. Of those interviewed, 22 per cent felt that consumers will be



brainwashed into buying "goods or services which do not fulfill their needs satisfactorily," and another 10 per cent said "maybe" they would. When asked whether they thought that politicians could use psychological techniques to manipulate the American public into making unfortunate political decisions, only half of those interviewed said no. The most interesting responses came from the professional researchers: half of them admitted the possibility of public manipulation by politicians! Is this possible—especially by the use of subliminal messages, which are flashed on a movie or television screen so rapidly that the viewer isn't conscious of seeing them?

In the quiet of campus laboratories throughout the country, dozens of top psychologists and many of their advanced students are working on studies of subliminal stimulation and its effects. This interest was spurred last year, when the country was swept with claims that subliminal advertising could be used to increase sales fantastically—and that this brainwashing technique could also be applied ruthlessly by governments.

In a recent lecture at Brooklyn College, Professor George Klein, one of the foremost students of subliminal stimulation, presented reassuring evidence that consumers would not—in the near future, at least—become the puppets of advertising men or Big Brother. The psychologist reported that conclusive evidence has been presented by experiments, primarily those conducted at Indiana University, to prove that subjects remained wholly free agents. In some experiments, sub-threshold stimuli flashed at viewers were utterly disregarded. Congressmen subjected to a subliminal test reacted in this way; they concluded there was no danger that subliminal advertising could "control" people. And a department store that tried out subliminal advertising recently reported that it didn't drum up any additional business at all.

Unsettling claims, however, are still being made by subliminal researchers. Some, for example, have suggested the possibility of inducing a semi-hypnotic state in a mass audience by means of hidden suggestions projected onto a screen. But the most recent studies conducted by Dr. Klein confirm that—although there is something to subliminal stimulation, and it can cause measurable effects—in a commercial sense it just doesn't work. The exact message can seldom be picked up at all by the audience.

His experiments indicate, however, that there is a significant impact on the subjects' general area of associated thinking. This seems to suggest that subliminal stimulation may eventually find some use in advertising, but the message stimuli will probably have to be different and more effective than those used today.

And even then, assuming that the viewer could be forced to think about one specific message—for instance, "Buy Smith's Pickles"—he must still make a decision to buy, and decisions are made in the realm of consciousness, not in the unconscious area to which subliminal messages are addressed. The rational consciousness of the consumer remains the biggest area to which effective advertising and sales messages can be directed.

Moreover, as Raymond A. Bauer, of the Harvard Business School, has pointed out, consumers are becoming increasingly discerning and resistant to MR techniques. There's evidence that "the individual may resist even 'unperceived' messages. . . . Over the years the American people have developed resistance to manipulation at about the same rate that our techniques of persuasion have become more sophisticated and effective."

All things considered, then, it would seem that the fears of manipulation have been rather exaggerated. It's comforting to know that we can go to a movie or switch on the television set without having to wonder whether we're in the power of an unscrupulous "hidden persuader."

People—or Targets?

Another criticism of motivation research is aimed at the basic intentions behind it. At a public relations meeting held last winter, Professor Max Lerner, columnist and author of the widely-acclaimed book *America as a Civilization*, voiced this objection to the "hidden persuaders." He is not, the professor said, concerned with whether or not they force people to buy things they cannot use or afford, but rather with their attitude toward the individual. "If they tried to find something deep in my subconscious, deep in my unconscious, in the fear, hate, sadism, insecurity, and so forth; if they dig down into that, and if they do it especially in ways which dig up emotions that are not socially useful, then I must say they are using me, and I don't want to be used. I don't think any person wants to be used."

And then Professor Lerner added: "The trouble with MR and the hidden persuaders and subliminal perception is that they treat human beings as targets, they treat them as objects, and not as subjects. . . . [They] treat everyone as if they were members of a system of individually replaceable parts."

Judging from the increasing use of MR today, it would seem that the objection Professor Lerner raises will assume greater importance as time goes on. In any event, however, the question of whether or not motivation research is a moral approach to the problems of marketing is one that each researcher and each businessman must answer for himself.

MR IN TODAY'S MARKETING

There's no reason for the businessman to be overawed by the packs of degree-swinging scientists and researchers that infest the age. Basically, they're not the ones accountable for the millions of stockholder dollars that may be put on the line to back behavior

theories or results of MR studies. Nor are they infallible. MR has failed before, and it will fail again. The motivation researcher may not understand administrative problems, he may be wrong about how his findings should be applied, he may misread the implications of his study, or he may depend too much on the power of the unconscious in influencing buying decisions. In short, the boss is still boss. He's still responsible for the product,



the company, and the ultimate decisions.

Nevertheless, few would deny that marketing research of all kinds has an important place in today's business, and that we are far from knowing all there is to know about our markets and our consumers. According to *Printers' Ink*, only two or three industries spend even 1 per cent of total sales for market research; the average is about .7 per cent. This is a far cry from the amounts spent on

product research—yet good marketing research can prove equally fruitful.

It's hard to escape motivation research these days—it's in the air. But it's only a handful of techniques among hundreds. In addition to the nose-counting market researchers, who have been around for some time, a new group of researchers have recently pulled up seats to the conference table: Electronic data-processing experts now offer instruments and techniques which, they claim, can produce remarkable results by setting up a simulated market situation with more variables than an actual test city could offer.

All these approaches have something to recommend them—and all have some drawbacks. We haven't yet reached the point—if, indeed, we ever will—where the businessman can sit back and let scientists and researchers run the show. If MR, and the other marketing research methodologies that have been and will be developed, can help the executive to find the information he needs to make better decisions—and there's good reason to believe that they can—they will have served their purpose. No manager should surrender his decision-making power to a researcher, but it would be a foolish man who would fail to utilize all the tools available to him in this fast-moving age of competition and change. ♦



"Well, gentlemen, according to this depth-survey, consumers have a highly favorable subconscious image of our product. The only thing inhibiting that image seems to be their conscious conviction that it's no damn good."

—The Saturday Review 4/18/59

Government and Business

(Continued from page 13)

This is not a problem of economics, but one of political economy. It is not a problem of profit rates and contract forms, but one of controlling and civilizing economic power in order that it may be used for the public good within the framework of democratic institutions.

GOVERNMENT CONTRACTING TODAY

Coleridge wrote that "experience is like the stern lights of a ship, which illumine only the track it has passed." We have to discard the experience of the pre-Space Age, the things we learned about contracting with business prior to 1953 or 1954, and think in terms of today's conditions. Those conditions suggest that advance is required along five lines.

Coordinating Government Policies

First and foremost, there is a need for facing up squarely to the strikingly different policies that prevail in various governmental agencies as to what functions can or cannot be contracted out.

In practice, and in general terms, the Air Force and the Atomic Energy Commission have accepted a philosophy of reliance upon contractors to conceive and develop programs as well as weapons. The contractors are then entrusted the management of a whole network of suppliers in the development of the end product.

In contrast, the Army, the Navy, and that lusty newcomer, NASA, insist in varying degrees upon a different philosophy. In the words of Army Secretary Brucker, "When we turn a project over to industry, most of the guesswork has been eliminated."

The crucial question is which of these approaches is realistic at a time when the magnitude of projects is expanding, when each requires a wide assortment of specialists, and when manpower is as scarce as it is at present and as it will be in the future.

Bureau of the Budget circular No. A-49, issued in February to guide the departments in the "Use of Management and Operating Contracts," was a first and much-needed step in the direction of setting some standards. This desperately needs supplementation in

each department—not by more regulations, but by some hard and honest thought about which responsibilities will be entrusted to contractors, which will not, and why.

Trusting the Contractor

Second, there is a need for reestablishing a philosophy of trusting the contractor.

A principal strength of the private enterprise system is that we can induce others to take risks and do their best in our behalf through the effective use of incentives. There is no place for the kind of thinking evidenced by the words a government loan officer recently used in replying to a prospective borrower: "We can't make this loan; you would make too much money out of the project."

There is nothing sinful, under the private enterprise system, in making a profit; the problem is to design contractual arrangements that maximize that incentive and relate it to the quality of the product, the time in which it is produced, and the economy with which it is produced. These incentives will have to be built into negotiated contracts, because advertised procurement doesn't mean much when the government is really buying the special talent of a few people or a particular organization.

Fixing Responsibility

Third, ways must be found to make more specific the responsibility that is fixed in the contractor. It is a principal of management that you assign a task, give the individual freedom, and then hold him responsible. To fix responsibility in the contractor for developing rapidly evolving products for which there is no prototype, and for which the government is really buying the capabilities of the contractor and the ideas of his staff, is a difficult task.

How do you fix responsibility and provide a contractor with freedom under such circumstances? It cannot be done by looking over the contractor's shoulder and second-guessing him on details. There is no place for picayunish or penny-wise, pound-foolish auditing. Nor is there any place for contracts specifying that so much must be contracted out to small business, or for stipulations that subcontracts must be placed in particular Congressional districts or with particular firms, regardless of their capabilities.

The solution will most likely be found in driving for performance specifications that both government and the contractor will live by. To design such a system is a complex and difficult task, but it is well worth the effort.

Social Responsibilities

Fourth, contractors must accept their substantial social responsibilities. The actions of today's defense contractors will demonstrate whether the profit system is compatible with social responsibility.

Theirs is not only the responsibility of producing the weapons required. Theirs is also the responsibility of producing them at the least possible cost and in the shortest possible time. And in the present state of government contracting, they must do this because of these social and moral obligations to the American people, not in return for incentive compensation.

Government's Role

One final point needs special emphasis: Government must equip itself to be a strong and effective partner.

The risk of its abdication of what are truly public functions does not lie in contracting out to a weapons system contractor or a systems engineer functions that were once performed by government. The risk of abdication lies in the failure to keep government's technical staffs manned with the kind of personnel required for conceiving the material that is needed, for working with industry on plans, and for being continually and effectively informed about the technological problems involved.

To complain that industry is hiring away government scientists or that government agencies are at the mercy of industry with greater scientific competence is to rail at evidence of government's neglect of its own capabilities. Provision must be made for salaries and conditions that will keep in government the personnel that are needed in the places where they are needed.

THE GOVERNMENT-BUSINESS PARTNERSHIP

Government has always contracted out—but in the five years that we might well call the Space Age, government's dependence on business has increased more rapidly and more substantially than is

generally recognized. If this government-business partnership is not now working well—and in the eyes of Congress, the press, some government officials, and many contractors, it is not—it is because the Space Age has established new dimensions for defense production, and these are not recognized in contracting arrangements inherited from an earlier decade.

To straighten out this partnership between government and business, we must postpone the old, tortuous task of amending the Armed Services Procurement Regulations and even the Armed Forces Procurement Act until we reconsider the balance that should obtain between public business and private business in the United States during the coming decade. ♦



Book Notes

(Please order books directly from publishers)

GENERAL

THE ECONOMICS OF FREEDOM. *American Capitalism Today.* By Massimo Salvadori. Doubleday & Company, Inc., Garden City, New York, 1959. 242 pages. \$4.50. This appraisal, in layman's terms, of the American economic system describes its components, the changes it has undergone, and its results.

ECONOMIC FORECASTING. By V. Lewis Bassie. McGraw-Hill Book Company, Inc., New York, 1958. 702 pages. \$8.75. From the standpoint of business forecasting, the author applies the relevant findings of the most recent research in the field of economic relations and behavior. The three parts of the book are the essentials of forecasting, expenditure-income-flow approach, and frequently encountered problems.

PAPERS AND PROCEEDINGS OF THE SEVENTY-FIRST ANNUAL MEETING OF THE AMERICAN ECONOMIC ASSOCIATION. (*The American Economic Review*, Vol. XLIX, No. 2, May, 1959.) Edited by James Washington Bell and Gertrude Tait. American Economic Association, Curtis Reed Plaza, Menasha, Wisc., 1959. 689 pages. \$3.00. Among these proceedings of a meeting held in Chicago in December, 1958, are papers on production functions in Soviet industry; industrial prices in the USSR; structural changes in the economy of the Chinese mainland, 1933 to 1952-57; and adding to the stock of physical and human capital.

AUTOMATION AND SOCIETY. Edited by Howard Boone Jacobson and Joseph S. Rousek. Philosophical Library, New York, 1959. 553 pages. \$10.00. This nontechnical and practical handbook gives the considered conclusions of some 32 experts who have examined the present and potential impact of automation upon many facets of our society. Included are discussions on automation in various industries, the responsibilities of automation, and its social and political aspects.

THE FAILURE OF THE "NEW ECONOMICS": *An Analysis of the Keynesian Fallacies.* By Henry Hazlitt. D. Van Nostrand Company, Inc., Princeton, N. J., 1959. 458 pages. \$7.50. The author contends that Keynesian economics has failed both as an analytical tool and as a basis for determining public policy, offering in support of his arguments a chapter-by-chapter and theorem-by-theorem analysis of the *General Theory of Employment, Interest, and Money*. An interesting and provocative book.

THE ALLOCATION OF ECONOMIC RESOURCES: *Essays in Honor of Bernard Francis Haley.* By Moses Abramovitz et al. Stanford University Press, Stanford, Calif., 1959. 244 pages. \$5.00. Dealing primarily with the allocation and distribution of economic resources, this collection of essays covers such topics as costs and outputs, unemployment compensation and the allocation of resources, the interdependence of investment decisions, and alternative theories of labor's share.

THE LANGUAGE OF DISSENT. By Lowell Mason. The World Publishing Company, Cleveland, Ohio, 1959. 314 pages. \$5.00. A collection of the dissenting opinions written by the author during the 11 years he served on the Federal Trade Commission. Filled with common facts and uncommon arguments, the book is a lively excursion into practical law, ranging from beer bottle labels and book clubs to such larger issues as the legality of trade associations, price fixing, and the right to compete.

THE ECONOMY, LIBERTY AND THE STATE. By Calvin B. Hoover. The Twentieth Century Fund, New York, 1959. 445 pages. \$5.00. This study of the divergent economic systems of the West and Communist Russia shows how often the actualities depart from the near-theoretical formulations by which we characterize them and the degree to which these various systems meet the basic human desires for liberty and justice.

FUNDAMENTALS OF PROFESSIONAL MANAGEMENT. (Revised Edition.) By John G. Glover. Simmons Boardman Publishing Corp., New York, 1958. 406 pages. \$6.50. This revised edition, developed to meet the needs of senior and graduate students and executives who are preparing to devote their careers to the practice of technological management, contains the lecture material used in many institutions to train candidates in the process of serious managerial thinking. Some of the topics covered are research, leadership, human relations, communications, and corporate organization.

ANALYSES OF INDUSTRIAL OPERATIONS. Edited by Edward H. Bowman and Robert B. Fetter. Richard D. Irwin, Inc., Homewood, Ill., 1959. 485 pages. \$9.55. A description of some of the applications of quantitative methods for analyzing the operating problems of management. The papers given here are divided into five sections according to their method of analysis: applications of linear programming, other programming applications, waiting line applications, applications of incremental analysis, and total cost and value models.

MANAGERIAL ECONOMICS: Decision Making and Forward Planning. By Milton H. Spencer and Louis Siegelman. Richard D. Irwin, Inc., Homewood, Ill., 1959. 454 pages. \$8.00. Emphasizing the numerical solution approach to the problems of management decision-making and forward planning, this textbook covers such topics as economic measurement, profit management, cost analysis, and competition and control.

ESSENTIALS OF INDUSTRIAL MANAGEMENT. (Second Edition.) By Lawrence L. Bethel *et al.* McGraw-Hill Book Company, Inc., New York, 1959. 514 pages. \$6.40. Additions to this edition include recent trends in corporate mergers and the integration of companies; new refinements in the decentralization of management functions; new government regulations and practices pertaining to marketing, industrial relations, and collective bargaining; and new steps in the application of electronics to plant and office operations.

POLICY FORMULATION AND ADMINISTRATION: A Casebook of Top-Management Problems in Business. (Third Edition.) By George Albert Smith, Jr. and C. Roland Christensen. Richard D. Irwin, Inc., Homewood, Ill., 1959. 835 pages. \$9.00. Containing 33 cases selected from those used at the Har-

vard Graduate School of Business Administration's course in Business Policy (all new to this edition), the text is divided into six parts: the top-management viewpoint; sizing up situations, formulating policies, and planning programs of action; organizing administrative personnel and putting plans into action; control; day-to-day administrative problems; and follow-up and reappraisal.

FINANCE

FINANCIAL ORGANIZATION & MANAGEMENT OF BUSINESS. (Fourth Revised Edition.) By Charles W. Gerstenberg. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1959. 624 pages. \$9.00. In addition to new chapters on financial statement analysis and public policy, this edition reflects changes in laws, practices, and social thinking that influence corporate financial policy and management. The review-type questions featured in earlier editions have been replaced by research questions and problems.

THE TECHNIQUE FOR PROPER GIVING. By Walter J. Held. McGraw-Hill Book Co., Inc., New York, 1959. 220 pages. \$6.00. Designed to help the company deluged with numberless appeals for contributions to charitable organizations, this book outlines the steps to follow in establishing a prudent program for giving. Examples of actual letters covering specific situations, such as turning down appeals gracefully, are provided.

AUDITING: Principles and Case Problems. By Arnold W. Johnson. Rinehart & Company, Inc., New York, 1959. 684 pages. \$7.50. A combination of two previous texts—*Principles of Auditing* and *Case Problems in Auditing*. The author has revised the chapters on auditing principles and added a number of new case problems to provide practice in audit procedures and problems. Included are up-to-date references, the 1958 Rules of Professional Conduct of the AICPA, and other recent data.

BUDGETING: Principles and Practice. By Herman C. Heiser. The Ronald Press Company, New York, 1959. 415 pages. \$10.00. Focusing on the management uses rather than the routine mechanical aspects of budgeting, this book provides a comprehensive exposition of budgeting principles for planning and coordination, as well as for control purposes. To illustrate these principles, the author presents a complete budget for a hypothetical company and analyzes the various segments separately and in relation to the coordinated whole.

INVESTMENT ANALYSIS. (Third Edition.) By John H. Prime. Prentice-Hall, Inc., Englewood Cliffs, N.J., 1959. 495 pages. \$9.25. Reflecting the latest changes in investment analysis, this edition provides up-to-date information on figures, trends, and legislation in an ever-changing economy. Taking a more direct approach to the analysis of bonds and preferred and common stock than in previous editions, the author also includes, in the section on investment policies, a discussion of dollar cost averaging in the purchasing of securities.

FINANCIAL MANAGEMENT. By Robert W. Johnson. Allyn and Bacon, Inc., Boston, Mass., 1959. 596 pages. \$6.95. A guide to the responsibilities of the financial manager and the decisions he must make to maintain his two

objectives—maintaining sufficient liquidity to pay bills and maximizing the rate of return to the owners. Emphasizing the “why” rather than the “how” aspects of financial management, the book is designed to furnish the financial manager with a framework he can use to reach his critical decisions.

PRINCIPLES OF AUDITING. (Revised Edition.) By Walter B. Meigs. Richard D. Irwin, Inc., Homewood, Ill., 1959. 820 pages. \$9.00. New features of this edition include chapters on management services by public accountants and the latest concepts of auditing tests and samples. Eight case studies designed for classroom discussion provide practice in reaching decisions in situations offering numerous alternatives yet requiring decisive action.

MANAGERIAL ACCOUNTING: An Introduction. By Harold Bierman, Jr. The Macmillan Company, New York, 1959. 481 pages. \$10.00. A practical guide for executives and those who need to understand the managerial uses of accounting and the role it plays in decision-making. The first section provides a solid background in basic accounting techniques, covering such subjects as the accounting cycle, concepts and conventions of accounting, and problems of measuring. In the second section, the author emphasizes the managerial uses of accounting, including such subjects as cost control, capital budgeting, and variable costing.

MARKETING

ADVERTISING: Mass Communication in Marketing. By C. A. Kirkpatrick. Houghton Mifflin Company, Boston, Mass., 1959. 638 pages. \$7.25. Emphasizing time-tested techniques rather than those that happen to be popular at the moment, the author covers such subjects as trade-marks, brand names, packaging, and advertising media. He provides an eight-page, four-color section to illustrate his discussion of color advertising.

HANDBOOK FOR SALES MEETINGS, CONVENTIONS, AND CONFERENCES: And How to Make Them Work! By Joseph D. Cooper. The National Sales Development Institute, New London, Conn., 1959. 60 pages. \$22.50. Offering some ideas on what to say and how to say it, the author covers such points as keys to successful meetings, how to get ideas for meetings, program planning for conventions, how to turn ideas into visuals, tips for speakers, and exhibits and demonstrations.

ADVERTISING: Theory and Practice. (Fifth Edition.) By C. H. Sandage and Vernon Fryburger. Richard D. Irwin, Inc., Homewood, Ill., 1958. 690 pages. \$8.40. This edition incorporates such recent developments in the advertising field as changing markets, techniques of communication (including television), methods of distribution, and the latest studies of consumer motivation.

TRADING STAMP PRACTICE AND PRICING POLICY. Edited by Albert Haring and Wallace O. Yoder. Bureau of Business Research, Indiana University School of Business, 1958. 390 pages. \$6.00. An objective study of the trading stamp, its influence on consumers, and the conditions and patterns of its successful and unsuccessful use by retailers. Some minimum operating principles for stamp companies and stamp-using retailers are also suggested.

AMA CONFERENCE CALENDAR

SEPTEMBER-NOVEMBER, 1959

<u>DATE</u>	<u>CONFERENCE</u>	<u>LOCATION</u>
September 21-23	FALL PERSONNEL CONFERENCE	Hotel Astor New York
September 28-30	AMA ANNUAL SALES FORECASTING CONFERENCE: Forces That Will Shape the 1960 Sales Forecast	Biltmore Hotel New York
October 7-9	RESEARCH AND DEVELOPMENT CONFERENCE: Planning for Growth	Biltmore Hotel New York
October 14-16	SPECIAL FINANCE CONFERENCE: Financial Planning for Greater Profits	Roosevelt Hotel New York
October 21-23	ANNUAL OFFICE MANAGEMENT CONFERENCE: Advances in Office Management Practices—Past, Present, and Future	Roosevelt Hotel New York
October 26-28	SPECIAL MANUFACTURING CONFERENCE: Distribution Management	Roosevelt Hotel New York
November 2-4	GENERAL INSURANCE CONFERENCE	Drake Hotel Chicago
November 23-25	SPECIAL RESEARCH AND DEVELOPMENT CONFERENCE: Capitalizing on Technology	Ambassador Hotel Los Angeles

To register or to obtain additional information on any of the conferences listed above, please contact Department M9, American Management Association, 1515 Broadway, New York 36, N.Y.

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